

**REDUCING UNNECESSARY DUPLICATION IN  
FEDERAL PROGRAMS: BILLIONS MORE COULD  
BE SAVED**

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**HEARING**

BEFORE THE

COMMITTEE ON  
HOMELAND SECURITY AND  
GOVERNMENTAL AFFAIRS  
UNITED STATES SENATE  
ONE HUNDRED FOURTEENTH CONGRESS

FIRST SESSION

APRIL 14, 2015

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### WITNESSES

TUESDAY, APRIL 14, 2015

Hon. Eugene L. Dodaro, Comptroller General of the United States, U.S. Government Accountability Office; accompanied by Cathleen Berrick, Managing Director, Defense Capabilities and Management; Cynthia Bascetta, Managing Director, Health Care; Paul Francis, Managing Director, Acquisitions and Sourcing Management; Barbara Bovbjerg, Managing Director, Education, Workforce, and Income Security; Mark Gaffigan, Managing Director, Natural Resources and Environment; David Powner, Director, Information Technology; Philip Herr, Managing Director, Physical Infrastructure; and James McTigue, Director, Strategic Issues .....	3
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## **REDUCING UNNECESSARY DUPLICATION IN FEDERAL PROGRAMS: BILLIONS MORE COULD BE SAVED**

**TUESDAY, APRIL 14, 2015**

U.S. SENATE,  
COMMITTEE ON HOMELAND SECURITY  
AND GOVERNMENTAL AFFAIRS,  
*Washington, DC.*

The Committee met, pursuant to notice, at 9:31 a.m., in room SD-342, Dirksen Senate Office Building, Hon. Ron Johnson, Chairman of the Committee, presiding.

Present: Senators Johnson, Lankford, Ernst, Sasse, Carper, McCaskill, Heitkamp, and Peters.

### **OPENING STATEMENT OF CHAIRMAN JOHNSON**

Chairman JOHNSON. Good morning. This hearing will come to order. I want to welcome our Comptroller General of the U.S. Government Accountability Office (GAO), the Hon. Gene Dodaro. Thank you for all your good work. You mentioned earlier this is like your second home, your second office. We certainly appreciate all the good work you and your agency provide this Committee and the Congress.

I do have an opening statement<sup>1</sup> which I will, with unanimous consent, offer to enter into the record.

Senator CARPER. OK.

Chairman JOHNSON. We do want to make sure that this hearing is over no later than 10:25. We have a briefing with Secretary Kerry on some relatively important matters as well.

I just want to say this is, I think, a very important subject. This particular report you have been doing these things for 5 years. This is your fifth year. You have identified 440 different areas of duplication, already saved \$20 billion. There is \$80 billion more to be saved over the next 8 or 9 years.

This is an area that we need to explore, figure out exactly how to implement more of these. Apparently only about 37 percent of these recommendations have been implemented. So that is certainly what this Committee wants to explore, but we are really interested in hearing what you found out in 2015.

With that, I will turn it over to our Ranking Member, Senator Carper.

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<sup>1</sup>The prepared statement of Chairman Johnson appears in the Appendix on page 19.

**OPENING STATEMENT OF SENATOR CARPER**

Senator CARPER. Mr. Chairman, thanks so much for pulling this together. To Gene, thank you very much to you and the team that you lead. We are delighted to see you, always delighted to hear from you.

Whenever we talk about duplication, I think about Tom Coburn, and I know his spirit is here with us today. We actually talked a little bit about maybe he could come and share that side of the table with us this morning. It did not work out. But we are grateful for all the work that he has done and laying a good predicate.

The issuance of today's report continues GAO's now 5-year examination of the Federal Government to identify major instances of fragmentation, overlap, and duplication. One of the big ones deals with the Department of Homeland Security (DHS). As you know, Mr. Dodaro, we have like a hundred and some committees and subcommittees that own a piece of the Department of Homeland Security. It is hugely wasteful, and I am not sure how we resolve that, but one of my goals for as long as I am here is to ratchet down that oversight and to give them at least a little bit of relief.

Throughout the five reports, GAO has provided a number of recommendations for Congress and the Executive Branch that, if implemented, have the potential to reduce significant waste and make our government more efficient.

Unfortunately, many of the topics discussed in GAO's reports are complex and are difficult to solve. The issues cut across various departments and longstanding Federal programs that each have their own constituencies and, in many cases, provide the public with much needed services.

I also find it important to keep in mind that while we must be careful to root out instances of unneeded duplication, the fact that more than one agency or program is focused on an issue does not always mean that we are wasting money and duplicating our efforts. Cybersecurity, protecting water quality, and assistance for disabled Americans are just a few areas that come to mind where it makes sense to have multiple Federal agencies bringing their expertise to bear to address critical needs.

What the GAO report tells us is that we need sustained leadership and oversight in both the Executive Branch and Congress to decide where there is unnecessary duplication that can be eliminated or where we need better coordination among government programs with similar missions.

As Gene will testify today, we have had significant success in recent years through this focus on duplication. GAO estimates Executive Branch and Congressional efforts to address suggested actions from GAO's past reports have resulted in approximately \$20 billion in financial benefits from fiscal years (FYs) 2011 through 2014, with another expected savings of \$80 billion through 2023. And we need all those savings.

One good example of this success was the passage last year of legislation that this Committee worked on extensively, the Federal Information Technology Acquisition Reform Act (FITARA). Much of this legislation was based on GAO's good work identifying duplication and waste in the Federal Government's purchase of information technology (IT), which totals about \$80 billion a year.

FITARA will ensure that agencies continually look across their IT investments to eliminate wasteful spending. It also requires agencies to close unneeded data centers, and it requires the Administrator of the General Services Administration (GSA) to develop a strategy for the government to leverage its buying power for software. All these efforts should add up to billions of dollars in savings.

I am going to hold it right there because we want to hear from you and we have a briefing coming up at 10:30 that we all want to get to. So, Gene, welcome and thank you so much for all of your work and leadership.

Chairman JOHNSON. Thank you, Senator Carper.

I also want to certainly pay tribute to Senator Tom Coburn. Oftentimes we tack on amendments to a piece of legislation and take votes on them, and they are messaging votes. This was far more than that. This was an amendment passed on a debt ceiling increase in 2010 that has had a real impact, provided us excellent information, and provided real savings, tens of billions of dollars of savings. So, again, this hearing really is a tribute to Senator Tom Coburn. We were hoping to have him as a witness here today, but we are obviously happy to have you, Mr. Dodaro.

It is the tradition of this Committee to swear in witnesses, so if you will stand and raise your right hand. Do you swear that the testimony you will give before this Committee will be the truth, the whole truth, and nothing but the truth, so help you, God?

Mr. DODARO. I do.

Chairman JOHNSON. Thank you. Mr. Dodaro.

Senator CARPER. Who are these people in the front line here? Is this is your A Team? Some of them look pretty familiar.

Mr. DODARO. I only travel with the A Team. [Laughter.]

**TESTIMONY OF HON. EUGENE L. DODARO,<sup>1</sup> COMPTROLLER GENERAL OF THE UNITED STATES, U.S. GOVERNMENT ACCOUNTABILITY OFFICE; ACCOMPANIED BY CATHLEEN BERRICK, MANAGING DIRECTOR, DEFENSE CAPABILITIES AND MANAGEMENT; CYNTHIA BASCETTA, MANAGING DIRECTOR, HEALTH CARE; PAUL FRANCIS, MANAGING DIRECTOR, ACQUISITIONS AND SOURCING MANAGEMENT; BARBARA BOVBJERG, MANAGING DIRECTOR, EDUCATION, WORKFORCE, AND INCOME SECURITY; MARK GAFFIGAN, MANAGING DIRECTOR, NATURAL RESOURCES AND ENVIRONMENT; DAVID POWNER, DIRECTOR, INFORMATION TECHNOLOGY; PHILIP HERR, MANAGING DIRECTOR, PHYSICAL INFRASTRUCTURE; AND JAMES MCTIGUE, DIRECTOR, STRATEGIC ISSUES**

Mr. DODARO. Good morning, Mr. Chairman, Ranking Member Senator Carper, Senator Sasse, Senator Ernst. I am very pleased to be here to talk about our 2015 report.

As you mentioned, Chairman, it is our fifth in the series—we identify 24 new areas that have 66 recommendations for actions going forward to either reduce or eliminate, overlap, duplication, and fragmentation in the Federal Government or achieve cost sav-

<sup>1</sup> The prepared statement of Hon. Dodaro appears in the Appendix on page 24.

ings or enhance revenues. Just a few quick examples from the report:

First, in looking at oversight of consumer safety, we found a patchwork approach has developed over the years where there are at least 20 different agencies involved in some aspect of consumer protection. We found the system to be fragmented and having overlapping jurisdictions. We are recommending that the Congress take action to establish a formal coordinating mechanism for oversight of consumer protection. We think this will result in many inefficiencies being dealt with and a more efficient system and, importantly, better protection for the American public because it will eliminate regulatory gaps in consumer protection issues.

In the area of non-emergency medical transportation—for people that—because of their age, disability, or income constraints are not able to get to medical appointments, so multiple Federal agencies provide rides. We found 42 different programs at 6 different agencies providing these services and not a lot of coordination going on. Here there is a coordinating council, but it has not met since 2008. Also, where we found coordination going on at the State and local level, two big Federal players are not really participating as much as they should be, and that is the Medicaid program and the Veterans Administration (VA) programs.

So there are a lot of opportunities for cost sharing, ride sharing and achieving greater efficiencies. This is very important because our aging population continues to grow. This is an area where the Federal Government can achieve a lot more efficiencies and get people the medical treatment that they need.

Also, we found in looking at the defense health system area a small system the U.S. Family Health Plan within the larger system. It was set up in the 1980s when some of the public health organizations were transferred, and were given responsibility for providing health care to defense families and retirees. The U.S. Family Health Plan remains a health care option required by statute to be available in certain locations.

Well, in the 1990s, TRICARE came around. We now have the TRICARE managed care system throughout the United States and this system—the Department of Defense (DOD) U.S. Family Health Plan—is providing the same services to the same people who are getting TRICARE services in the same areas of the country. So we think with a carefully crafted transition to protect the beneficiaries, millions of dollars can be saved in administrative costs and savings to DOD.

Another area we point out is the Strategic Petroleum Reserve. This was set up following the oil embargoes in the 1970s so that we have an emergency supply of oil should we need it given disruptions that might occur in the provision of oil from abroad. But as U.S. production has increased—we are now at record levels of production—there are plenty of reserves not only in the Strategic Petroleum Reserve but in private sector reserves, and we are far in excess of international requirements for the reserves. We think the Department of Energy (DOE) should reexamine the need for the size of this reserve, which could show that there may be the potential to reap billions of dollars in savings from selling some of the reserve, and reduce dramatically the administrative costs to keep



the reserve operating. Also its infrastructure is in need of repair and replacement and these repairs may cost less if you do not have the same size of reserve.

Also, there is a group of designated cancer hospitals that were set up in the 1980s, when most cancer treatments were provided in the hospital versus outpatient care. This special system was set up to pay these hospitals at their cost as opposed to the prospective payment system of negotiated costs under fee-for-service. Given cancer treatment has evolved over the years and most people are receiving it as an outpatient service, we compared this old system to current approaches and included the cancer status of the patients and found that if these hospitals were treated the same as other teaching hospitals that provide cancer treatments, the Federal Government could reduce costs by \$500 million a year by putting these hospitals on a more equitable basis.

Now, with regard to areas that we have identified in the past, as you mentioned, Mr. Chairman, there were 440 actions; 39 percent have been partially addressed, 20 percent have not been addressed at all, and 37 percent have been fully addressed. And both of you have cited the savings that has resulted, \$20 billion so far, and about another \$80 billion in the works that will be saved as a result of actions taken. But there is plenty of money still left on the table to be addressed in these areas.

A couple governmentwide issues that I have talked with this Committee before about I would reiterate. One is strategic sourcing across the Federal Government. Most of the private sector entities that we studied have most of their spending, about 90 percent of it, under strategic sourcing where they examine whether they can consolidate providers, and use their buying power to leverage better costs at the local level. The last time we looked at it the Federal Government only had about 5 percent of its procurement spending under strategic sourcing. We think this has enormous potential. Even a one-percent reduction in spending would result in \$4 billion in savings. The Office of Management and Budget (OMB) has taken some actions in this regard but not yet set metrics or goals to achieve these savings, so we think the Congress' intervention in this area would be helpful.

Information technology acquisitions. I was here before this Committee in February talking about adding IT acquisitions and operation to our high rise list. Senator Carper, you mentioned the Federal Information Technology Acquisition Reform Act. That holds a lot of promise if effectively implemented for billions of dollars in savings, and so I would continue to urge this Committee to have active oversight over IT spending. Many savings and reductions in wasteful spending in this area can occur over time.

Also, at DOD, we point out continued activities that could result in reducing their overhead costs, reducing some of their health care costs, and reducing the cost of acquiring weapon systems through implementation of our recommendations.

We also have a number of recommendations in the Medicare and Medicaid areas and health care spending where there is an opportunity to revamp some of the payment policies that would save billions of dollars and provide greater oversight over activities. Particularly at the State level in the Medicaid program where tens of

billions of dollars are being approved in demonstration projects that do not have Congressional oversight and in our view are not budget neutral and cost the government more money.

And, of course, I have talked about the problem with improper payments in the Medicare and Medicaid programs. We reiterate in our report the number of recommendations we have to reduce those improper payments. Last year in Medicare it was \$60 billion; in Medicaid, \$17 billion.

We also have recommendations for a number of areas for benefit offsets that would be more appropriate and in accordance with the law. For example, we found circumstances where certain beneficiaries are receiving unemployment and disability insurance at the same time, and so the Federal Government is replacing lost revenue twice, and this could be rectified through a change in law.

Also, in tax collections, we have recommendations where, we found a lot of people who have passports owe Federal taxes, one percent of the people who had passports when we looked at it have \$5.8 billion in delinquent taxes. And if we decided that you cannot have a passport unless you pay your taxes, The Congressional Budget Office (CBO) estimates we could increase revenue by \$500 million over a 5-year period of time. And we have other areas where we think delinquent taxes could be collected.

So the bottom line is, some good progress has been made. Where there has been big progress, though, it has involved the Congress passing legislation. Most of these areas where we cite savings, it took congressional action to achieve those savings, even though the agencies were moving in the right direction. So I would encourage this Committee and the Congress as a whole to continue to focus on these areas, and I think we will be a more efficient and effective government as a result.

So thank you very much, Mr. Chairman, and the Committee. I appreciate being here today.

Chairman JOHNSON. Well, thank you, Mr. Dodaro.

I have three specific questions on some of the areas of duplication and fragmentation you talked about. Let me go right to the last one you mentioned, the duplicate payments of disability payments versus unemployment. Now, in normal State unemployment systems, you simply cannot collect unemployment if you are disabled, if you are not available for work. Is that correct?

Mr. DODARO. That is correct. But in a lot of the disability programs, the goal is for those people who can be rehabilitated to go back to work. And there are some rules that say they can work for a certain limited period of time so they could get off the disabled rolls. And so some people end up having employment status even though they are receiving disability payments, and this is where this gap can occur.

Chairman JOHNSON. OK. But, again, this is an unintended overlap.

Mr. DODARO. Yes.

Chairman JOHNSON. This is not something that was contemplated in legislation. This is an unintended consequence.

Mr. DODARO. That is exactly right, Mr. Chairman. And, we think it could be easily rectified through legislation without, unduly af-

fecting anyone, and CBO estimates about \$1.2 billion that could be saved.

Chairman JOHNSON. Again, a billion here, a billion there, you end up with real money, right?

Mr. DODARO. Right.

Chairman JOHNSON. In terms of cancer outpatient, are you basically saying because when this program was first set up it incentivized payment for inpatient cancer treatment versus now the market has moved toward outpatient, which is more cost-effective? Is that the discrepancy there?

Mr. DODARO. Yes. When the system was set up—and this was set up in the 1980s—there was concern, as Medicare moved to a prospective payment system where they would pay under a fee-for-service approach, that it would not sufficiently cover the costs of inpatient cancer care. So these hospitals get reimbursed for their full cost as opposed to the negotiated payments for both inpatient and outpatient care. And the Centers for Medicare and Medicaid (CMS) has reformed their payment process to take into account more recent and contemporary cancer treatments. So if everybody is treated on a level playing field, you could save \$500 million a year.

Chairman JOHNSON. OK. I want to talk a little bit about the Department of Defense Family Health Plan. I know in the private sector it is not unusual where you have a husband and wife working at two different companies, and they both take family insurance. You basically have duplicated coverage. Is that the case here? Or is it simply we have two different systems and—it is not like we have dual coverage, but we have dual administration. There is no need to have two separate health systems.

Mr. DODARO. That is exactly right. In this case, you have two separate systems that serve the same potential population, and the people can be served in either system. What is unique, though, is that the DOD Family Health Plan in legislation was given commercial provider status. So DOD cannot even get information from them on their costs, their profit margins, and administrative costs. They negotiate a fee every year with them. It takes about 8 months, according to DOD, so there is a lot of administrative effort and cost that goes into this. They have to keep separate data systems. We talked to the people who provide TRICARE managed coverage across the United States and they said that they could easily provide coverage to these beneficiaries. DOD would realize millions of dollars in administrative savings. And, importantly, this system is not integrated into the DOD system. For example, if you are in TRICARE, DOD can send you to a military hospital for treatment ahead of time. Not so with this separate system.

Chairman JOHNSON. How many people are in that separate system?

Mr. DODARO. It is about 134,000 people.

Chairman JOHNSON. OK. I do want to, because my time is always short. In terms of actually implementing your recommendations, again, I mean, 37 percent fully implemented. That is not bad. Thirty nine percent partially implemented. What prompts agencies to implement your recommendations? What are things that we could potentially do to get higher levels of implementation? What are the road blocks?

Mr. DODARO. Well, first of all, a number of our recommendations require legislative action. So I think more focused attention by the Congress can really help in this regard. One of the barriers is that you have entrenched constituencies of these programs that have evolved over years, and so they are difficult to deal with. More visibility over time for these issues will help.

The agencies can be prompted to act by a wide variety of reasons. Some of our recommendations have been consistent with things that they want to do over time, but they need legislative support, like, the DOD health care system that we talked about. So the agencies also have initiatives underway—they are facing enormous budgetary pressures to bring down their costs, so some of our suggestions are welcome cover for them to reduce some of their costs over a period of time.

The big barriers, though you can see this in our statistics. Forty percent of actions that require one agency to take action to reduce overlap and duplication are fully addressed. Where multiple agencies have to act to address duplication or overlap across agencies, only 25-percent of actions have been fully addressed. This is where Congress and OMB come into play. They need to take a more active role. Where the agencies have more parochial interests and do not have the authority like in this consumer protection area that I mentioned, because a number of these agencies are independent regulatory agencies it is more difficult. They are not subject to OMB regulatory review processes, and so OMB's reach is limited, and only the Congress can help address these issues.

We also found, anomalies in the Consumer Protection area. For example, the responsibility for labeling of toy firearms and imitation firearms, rests with the National Institute of Standards and Technology (NIST). It is a legacy of things that happened in the past—to have our scientists focus on that activity when the Consumer Product Safety Commission (CPSC) takes care of all other labeling for toys and has presence where they are imported. It does not make sense.

There is a lot of opportunity here to rectify things that have developed over the years that have just become generally accepted.

Chairman JOHNSON. Certainly I want our staff to work with your agency to very specifically delineate what legislation needs to be passed, work with you in terms of exactly how to write the legislation. I do not know to what extent you already have all that out, but let us really prioritize this. Let us get those specific pieces of legislation, and let us come up with, again, a very well defined, delineated list, and let us start working on that.

Mr. DODARO. We would be happy to do so.

Chairman JOHNSON. Thank you. Senator Carper.

Senator CARPER. Thanks.

Mr. Dodaro, I have more questions certainly than I have time, and what I will do is follow-up in writing on some of these questions.

What I would like to do, I want to talk a little bit about the Internal Revenue Service (IRS). Tomorrow is April 15, and it is on the minds of a lot of people, and the question about how can we enable them to do their jobs more effectively. But before I do that, you have heard me talk about how do we leverage the effectiveness

of this Committee, along with GAO, along with OMB and the administration, in finding ways to get better results for less money. How do we waste less money? And what I have always looked for is a way to realign our efforts, and your work especially with the high-risk list is always very helpful for us every 2 years. I call that our “to-do list.”

The administration’s budget had some things in it that I thought were very good and maybe some that were less appealing. But they have a number of recommendations in their budget that are actually designed to force us to do more of what works and less of what does not, and also there were some recommendations in the President’s budget that deal with duplication. And some of them the administration can do by themselves, but others require us, either authorizing language or funding in some cases.

Do any come to mind that you would want to prioritize with respect to what the administration is saying we ought to do in this area where you concur, GAO concurs, that we have some work to do ourselves?

Mr. DODARO. Yes. The first thing that comes to mind is the government pension offset for Social Security recipients, particularly for spouses and survivors. In law, Congress has said that if you are receiving another government pension, that is supposed to be something that is offset when you are calculating Social Security benefits because you are really not paying into the Social Security system. This is particularly true for State and local employees who have their own retirement systems.

At the Federal level, the Office of Personnel Management (OPM) gives all the statistics on Federal employees to Social Security so these benefits can be offset. But there is no mechanism to get State and local pension information. We have suggested it could be done through IRS. The administration has a proposal—that it has put forth multiple times to do exactly what we think needs to be done in this area. There are estimated savings of between \$2.4 and \$6.5 billion, depending upon how the mechanism is set up and the extent to which it is retroactive.

The administration also has had proposals in the science, technology, engineering, and math (STEM) studies—to reduce the number of programs, and they brought that down from 209 programs to 158 programs. They are targeting for 136 programs. So we are supportive of that effort.

Strategic sourcing is another area that I mentioned in my opening statement that they are proposing for savings. They have identified different categories of spending across the Federal Government to focus on although we think they need to be more aggressive in setting targets and tools for the agencies to have good plans on going forward.

So those are some of the areas that first come to mind. I would be happy to provide others for the record.

Senator CARPER. Thank you. Commissioner Koskinen is going to be with us tomorrow from the IRS, and you have given us at least one more issue that we might want to raise where we can be helpful to them and be consistent with what you all are recommending.

Speaking of the IRS, we have this huge tax gap problem, and you have testified to it before. Folks who work at GAO have testified

to it before, and we are talking about not billions of dollars or tens of billions but hundreds of billions of dollars. And looking ahead to tomorrow but also thinking about today's hearing, one of the issues that we are going to explore with the IRS is how to become more effective and more efficient when the Commissioner testifies tomorrow.

As you know, the IRS budget has seen a dramatic decline during the last 5 years. The President's budget requested an increase in funding and also gives the agency the flexibility it needs to redistribute itself to taxpayer service and provide more resources toward program integrity. In fact, I understand that for every \$1 the IRS invests in program integrity and enforcement, the return I am told is about \$5, \$6, \$7 by improving its ability to curb identity theft, fraud, and other problems.

My question is: Do you agree that improving the IRS budget could improve its capabilities to actually carry out its mission?

Mr. DODARO. There is no question that additional money focused on enforcement can yield additional revenues over time. But in making that decision, we have suggested that Congress also look at ways that IRS can more effectively use the resources that they have.

Senator CARPER. Good.

Mr. DODARO. We have identified, for example, that they do not have good information on return on investment. We know overall that investment can yield more revenues, but which initiatives yield better income?

For example, we looked at field exams versus correspondence audits, which are less resource intensive. We found if you moved about \$124 million from field exams into correspondence audits, you can get \$1 billion more back in revenue. We think there is a lot more that could be done within the IRS to target their resources more effectively over time.

I am concerned, though, that they have had cuts in both enforcement and service over time. My best advice to the Congress is to watch this very carefully, because I am concerned over time it might lead to an erosion of voluntary compliance if people cannot get the information that they need in order to comply, and that would be very hard to get back. Right now it is at a fairly high level. Even though we have a huge tax gap, voluntary compliance is not where we want it to be, but it can be worse over time.

Also, there are things Congress can do to make IRS more efficient. We have a recommendation that they be given the ability to set standards for paid tax preparers outside the ones that they already do. Most of the people go to paid tax preparers to get their taxes done. The last time we looked at this—we did undercover work with 19 tax preparers. We found only 2 of the 19 gave us the right answers. Oregon had a program where they were regulating paid tax preparers, and they found better revenue yields.

Also, we have recommended that Congress give IRS expanded math error authority to correct tax returns where they have data that clearly shows errors. The public would have an ability to appeal that, but it would save IRS from starting an audit and using all kinds of resources when they know right away that they have

other data that shows that the taxpayer made either an honest mistake or an error.

Also, we have made recommendations that the Congress give IRS the authority to require more electronic filing of records. And we have other recommendations to improve efficiency.

Senator CARPER. Well, those are great, and we appreciate every one of them and want to follow-up with you. And tomorrow our hearing is very timely. Thank you so much.

Mr. DODARO. Sure.

Chairman JOHNSON. Thank you, Senator Carper.

A little editorial comment. If we simplified our Tax Code, that would make it a little bit easier to comply as well.

Mr. DODARO. That is also one of our recommendations.

Chairman JOHNSON. There you go. I agree with that one. Senator Ernst.

#### **OPENING STATEMENT OF SENATOR ERNST**

Senator ERNST. Thank you, Mr. Chairman.

Thank you, sir. It is good to have you back again today. I appreciate it.

I enjoy these reports, and I am glad that you do them. I have noticed, though, that the number of programs that are identified for cost savings and those that are identified with fragmentation, they seem to decline every year. In 2011, I think there were 81 programs identified, and then in this current report there are 24. If you could just maybe walk through the process of how you choose those programs that are selected, if you think—are we moving in the right direction then? Are these just the programs that we are most likely to achieve or maybe some thoughts on how we get to these programs?

Mr. DODARO. Right, and I would be happy to. When the legislation was first passed, as the Chair and Ranking Member mentioned, Senator Coburn was very interested in trying to move quickly. So what I agreed to do was to have GAO take a 3-year effort to try to comb through the entire Federal Government and identify the largest areas that we felt fit these categories.

So we did a pretty good intensive sweep. It was very resource intensive. We started with the budget figures. Where does the money go? And we have a lot of institutional knowledge about government programs. Some of the area were based on work we had done in the past, and we were able to aggregate it.

But to your point, the number of areas will continue to decline in my opinion because we focused on the biggest areas in the first 3 years. The law requires us to have a regular process and schedule for producing these reports. Also, I felt it was very important to have a tracking system and a scorecard on what we have recommended to the Congress, and for the Executive Branch to keep these areas before our elected officials so that they could take action. We have seen that in a number of these cases, it takes a number of years to get action on our recommendations.

So that is the reason for the decline; it was a big effort up front to comb through the Government. Now we are doing targeted reviews.

Senator ERNST. Very good. At least we are moving in the right direction. I feel very good about that.

One thing that I did notice, there were comments about the serious mental health illnesses, and this is something, I have a very big passion overall when it comes to mental illness, but then also specifically with veterans. And so to see that the Department of Health and Human Service (HHS) and the VA, they have not been necessarily working together—and maybe you can speak to that, where you did identify that HHS is opposed to facilitating inter-agency coordination across the mental health programs and why HHS and the VA—why they are opposed to evaluating these programs. That seems very counterproductive to me.

Mr. DODARO. Yes.

Senator ERNST. If you could address that, please.

Mr. DODARO. Cindy Bascetta, who is in charge of all our health care work and has a long history working in this area, can give you the details. But I was very disappointed in the agency's response to not coordinate outside the agency in this particular area, and I believe congressional oversight would be helpful.

Senator ERNST. Wonderful. Thank you, Cindy.

Ms. BASCETTA. Good morning.

Senator ERNST. Good morning.

Ms. BASCETTA. We have ongoing work that is continuing to look at the coordination within the Department of Health and Human Services as well as across the Federal Government, and they have changed their tune a bit about our prior recommendation. So we do think that there will be increased action within Substance Abuse and Mental Health Services Administration (SAMHSA) to do much more in the way of leadership.

Part of their initial hesitance was that they argued that CMS, in fact, was a payer but not a provider of services, which is true, but our report was not focused on the payment issue. It was focused on finding out which programs are most effective and gathering and disseminating that information across the programs that had the subject matter knowledge, including the civilian and the military and VA programs. We wanted them then to feed into a process where there would be a feedback loop. Those programs that were most effective would be reimbursed, and those that were not as effective or not evidence-based, if you will, would not receive reimbursement.

So there is a long way to go in terms of measurement, but we are hopeful that there is more attention now being paid to this important area.

Senator ERNST. Very good. I think that is very frustrating when you have agencies, when there are better ways of doing it, they are not implementing those. And I would echo that if there is legislation that we can work on to force the issue along, I am happy to do that. But this is a vulnerable population that we need to ensure is getting the best possible treatment, if at all possible.

And then just briefly, I have been informed a little on a different topic, but I have been looking into the program and project management within the Federal Government, and it seems that there could be some opportunities there to increase efficiency in this area and cost-effectiveness. And it seems that there is no set career path



for project managers, just a few exceptions at the DOD and other Federal IT projects. But there is no job series that can track this, education requirements for that. I think that would be helpful in a way if we did have a program track for project managers. If you could speak to that.

Mr. DODARO. Sure. Paul Francis, who heads up our acquisition work across the Federal Government, can speak to that. We have been concerned about the acquisition workforce, and we pointed out this area. You are absolutely on the right track here, and greater attention is needed.

Senator ERNST. OK. Thank you.

Mr. DODARO. Paul.

Mr. FRANCIS. Good morning.

Senator ERNST. Thank you, Paul.

Mr. FRANCIS. I think when we talk about DOD, even though they have a lot of problems, they end up being probably the best agency at these types of things. So, with that caveat, in the Department of Defense we do find the program managers (PM)—rotate in and out of positions. If they stay in that career path, particularly if they are military, they are going to be career limited. So we have made recommendations that the Department of Defense make that a career path so people can succeed.

And we also find that program managers for the government are not as well equipped to do negotiations with their industry counterparts. So they do not necessarily have the business acumen and the types of understanding of what incentives contractors come to the table with. So they need quite a bit of education and training and years in that career path to be able to be an equal partner at the table.

Chairman JOHNSON. Thank you, Senator Ernst.

Senator ERNST. Thank you.

Chairman JOHNSON. Senator Heitkamp. And we are in good time right now as long as Senator Sasse does not come back. But if you can keep it to 7 minutes, I would appreciate it.

#### **OPENING STATEMENT OF SENATOR HEITKAMP**

Senator HEITKAMP. Thank you, Gene. It is always informative, and I want to thank you and your staff for the tremendous work that you do. We know the challenges that you have, the same challenges that all these agencies have, which is trying to meet our expectations with the staff that you have. And so I just want to applaud this effort and applaud your work.

I want to focus on CMS. In your report you said CMS could save billions of dollars by improving the accuracy of its payments to Medicare Advantage programs through methodo—you know that word. Yes, I will get there. [Laughter.]

Adjustments to account for diagnostic coding differences between Medicare Advantage and traditional Medicare.

Now, the Medicare program is a program that is going to be stressed into the future. We look at that booming deficit, and, it is not an understatement to say we do not necessarily have a deficit problem; we have a health care growth problem. So we should be looking for every penny of efficiency and savings that we can find.

Can you elaborate on what you mean? And billions of dollars sounds like a pretty sizable sum. What do we need to do to get that done?

Mr. DODARO. Yes, right. What happens is you have the Medicare fee-for-service program.

Senator HEITKAMP. Right.

Mr. DODARO. And then you have the Medicare Advantage, which is on a capitated rate. But the Medicare fee-for-service providers have a different diagnostic coding system than the Medicare Advantage system. So in our analysis, the same person in both systems would look sicker in the Medicare Advantage system than they would in the fee-for-service system.

Now, our whole philosophy as a government is to pay people who need more medical care or are sicker, if you will, at a higher rate than people who are healthy people and do not need it. So in order to make the systems comparable, there is a risk adjustment factor where they take into account the characteristics of the beneficiaries.

We found they were not using the most recent data available to make this adjustment factor. They were not considering certain illnesses and diseases or other characteristics of the population. They were not considering which of the beneficiaries might also be eligible for Medicaid programs. And so we believe a better methodological adjustment factor could be put in place that would save the government billions of dollars.

Senator HEITKAMP. Is this a problem across the board with Medicare Advantage? Or do we see some providers actually billing differently than other providers?

Mr. DODARO. Let me ask Cindy to come back to the table. She is our health care expert. But while she is coming, the one area that I am also concerned about that our report touches on is the growth in managed care for Medicaid, where there are no real program integrity factors in place. So that is another area I am very concerned about because in Medicaid, managed care is growing exponentially. So some of these lessons for Medicare also potentially—

Senator HEITKAMP. The lessons for Medicare Advantage should be learned when we are moving toward managed care in Medicaid.

Mr. DODARO. Exactly.

Senator HEITKAMP. Cindy.

Ms. BASCETTA. Your question was whether—

Senator HEITKAMP. My question is: Do we see a variance between different providers under the Medicare Advantage program?

Ms. BASCETTA. No. As the Comptroller General said, they are paid under a capitated rate. The difference is in the risk scoring, which is a relative measure of the health needs of the beneficiary.

Senator HEITKAMP. So the problem is institutional and systemic across the board.

Ms. BASCETTA. It is, yes.

Senator HEITKAMP. OK. The other thing, I want to make a point to Senator Carper's point. I once upon a time in a former life took over as tax commissioner for Senator Conrad. We started a program called "Fair Share," where we invested \$1 of resources to the Tax Department and returned \$10 and over a period of 10 years

proved time and time again that those investments, when targeted and used appropriately, could, in fact, advance a revenue goal. And so there is a lesson learned from State government.

But I want to get to the report because there is a lot in there and, it is frustrating for those of us who look at it and say, Why are not we doing all of this as soon as possible? But when you do the report, do you say this is a no-brainer, this would be easy to do, it is low-hanging fruit and we ought to prioritize that project maybe over some of the stuff that is a little more difficult to do?

Mr. DODARO. Yes, well, we are basically taking all the work that we do in GAO. What is in this report is really a small subset of the work that we do every year. We respond to about 900 requests a year from Congress and do a lot of different work. And about 80 percent of our recommendations actually are implemented over a 4-year period of time. So what you have in this report is really the——

Senator HEITKAMP. Twenty percent.

Mr. DODARO. Yes.

Senator HEITKAMP. But what I am saying, within the 20 percent, have you ever said let us rank them and tell people——

Mr. DODARO. No, we have not done that. We have identified ones for cost savings and tried to identify available scoring on these actions. But, our belief is that, they are all important areas and they could yield efficiencies. And they are not concentrated in jurisdiction in any one committee. They are across the Federal Government's activities.

Senator HEITKAMP. I get what you are saying, but I hope you understand what I am saying, which is that there are probably some things that are easier to implement than other things that you are recommending in your judgment, and these are things that it would not be, irresponsible of the Senate to say we want this done not tomorrow but yesterday?

Mr. DODARO. Yes, right. I think the easy things to do are in the 37 percent that have already been implemented.

Senator HEITKAMP. So all the 20 percent are equally difficult. Is that what you are telling me?

Mr. DODARO. Right.

Senator HEITKAMP. Well, thank you, and I will yield back my time.

Mr. DODARO. But I will give thought to what you said.

Chairman JOHNSON. Thank you, Senator Heitkamp. Senator McCaskill.

#### **OPENING STATEMENT OF SENATOR MCCASKILL**

Senator MCCASKILL. It is hard for me to know where to start. As you know, I feel like a bee in a flower patch when you are here, Comptroller. But, I want to try to spend just a few minutes on strategic sourcing.

It is frustrating to me, strategic sourcing. I do not know why this is hard for government. DOD, DHS, Department of Energy, and VA spent about \$537 billion on Federal procurements in fiscal year 2011. That is 80 percent of Federal procurements, but only 5 percent of those procurements are managed using strategic sourcing. And I am going to channel our Chairman here. In the private sec-

tor, as much as 90 percent of the procurements are strategically sourced.

If we just shaved one percent, off procurement spending just from these four agencies, we would get over \$4 billion in savings. This is the definition of low-hanging fruit. Every year it is on the list. Every year, because these agencies are not bottom-line motivated, it just seems to go through the cracks.

Let me give you one example for the record on a hearing that we had on food sourcing. In 2011, my Subcommittee at the time held a hearing looking at the Federal Government's food service contracts, which are about \$6.8 billion a year. The contractors—and, by the way, if this went on at CMS, there would be huge headlines. But the contractors are not giving us back the rebates that they are contractually required to give us. Just like the drug companies are contractually required to give back the drug rebates in the Medicaid program, the food companies are required to give us back the rebates as part of the contract.

Two years ago, in front of this Committee, Joe Jordan, the head of the Office of Federal Procurement Policy (OFPP), said OMB was on top of it. He said the largest food service contracting agencies formed a team under Strategic Sourcing Leadership Council to gather data and to determine the best path forward. OMB told us they would have a report on this data in 2014, and we have heard nothing.

Have you heard anything? Do you have any insight on this that could alleviate some of my frustration about how hard this appears to be for no good reason?

Mr. DODARO. I share your frustration. I have been recently briefed by the head of OFPP, who came over and they tried to identify these different categories of spending that they are going to try to focus on; they are going to try to focus on IT first. But I urged them to move more aggressively in this area, and pick other categories as well.

I think the Congress should negotiate with OMB on targets for reduced spending. Without targets for reduced spending, there is no incentive to move in this area.

Now, that being said, there are also other problems—the private sector has better data on what they are spending the money on than the government has.

Senator McCASKILL. Right.

Mr. DODARO. So, the data are limited. Paul Francis has been following this for years, and he will have additional insights. But I think unless there are these negotiated targets for reduced spending in those areas that are congressionally imposed, you are not going to see any big movement in this area at all.

Senator McCASKILL. And if you would, Mr. Francis, also address how effective you think it might be. DHS has done this, but you all cannot determine whether or not it is having any real impact. That is, making it one of the considerations on the Senior Executive Service (SES) bonuses—which, by the way, until very recently was like the sun coming up, an SES getting a bonus in government. It was never performance based. It was you get it if you get up and brush your teeth in the morning.

So do you think that it would be more effective if we also required that strategic sourcing efforts be part of a bonus calculation?

Mr. FRANCIS. OK. So let me start with the broader issue of strategic sourcing, then come back.

I think our first report on strategic sourcing was 2002, so movement has been extremely slow. We are doing a little bit better than 5 percent now. I think DHS is actually at 20 percent. They are probably one of the best agencies.

The reluctance has been to get into areas other than typical commodities.

Senator McCASKILL. Right.

Mr. FRANCIS. We seem to have five different ways to buy pencils, but we will not go into engineering services. That is the hard stuff. So we have said just go in there and try and see what you can get.

Gene is right about the targets. Unless it becomes important, it is not going to get done. And agencies get complacent. If they have the budget to pay for something, that kind of becomes the fair price; "We have the money for it."

Senator McCASKILL. Right.

Mr. FRANCIS. As the government moves toward strategic sourcing, I think we have to worry about complacency, because in the world of contracting, we tend to say—once we get a contract, we are done.

Senator McCASKILL. Right.

Mr. FRANCIS. And industry is not done. They work every year, and anything that is a special service, they try to make it a commodity so they can get the market pressure to get them a better deal.

So I worry a little bit going forward that in the government—we are going to get contracts in place and then say, "We are done," which we are not.

I do not know about direct links to bonuses, but they should be in SES contracts. Even DOD spends more money on services than it does products. Civilian agencies, way more, probably two or three times more on services. That type of emphasis I think should be in the contracts because that, coupled with targets, is a way to get attention on it.

Senator McCASKILL. Well, I think it would be terrific, Mr. Chairman—and I will yield the rest of my time because I know we are running short—if we would think about maybe doing a hearing on strategic sourcing as it relates to personal services contracts, because I think that is the Rubicon that we have not passed yet. That is where we probably need to shine a brighter light. Something for you to consider.

Chairman JOHNSON. Well, and, of course, as you pointed out, there are a lot of dollars there, just low-hanging fruit. So we will certainly take that under advisement. Of course, you have a Subcommittee, too, that you can work on some of that.

I appreciate Senator Lankford and Senator Peters coming here. I announced early on we have an important briefing coming up, and so I told Senator Booker—he wanted to ask one question, but we are just running out of time. And in fairness, I really cannot let you ask questions either. I fully encourage you to submit those

questions for the record. I think we have all got a lot of questions, because there is so much good work done by Mr. Dodaro and his office.

Let me just conclude the hearing by thanking you, Mr. Dodaro, and all the members of your staff for doing great work.

This hearing record will remain open for 15 days until April 29, 5 p.m., for the submission of statements and questions for the record.

This hearing is adjourned.

[Whereupon, at 10:23 a.m., the Committee was adjourned.]

## A P P E N D I X

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### **Opening Statement of Chairman Ron Johnson** *“Reducing Unnecessary Duplication in Federal Programs: Billions More Could Be Saved”* April 14, 2015

*As prepared for delivery:*

Good morning and welcome.

This morning, the Government Accountability Office (GAO) will release its fifth annual report on unnecessary duplication, fragmentation and overlap in the federal government. The annual report was mandated by a debt limit amendment Dr. Tom Coburn sponsored in 2010 that was passed by the Senate by a vote of 94-0. This series of reports has proven extraordinarily valuable in identifying opportunities to save taxpayer dollars and make government work better for the citizens it serves.

In its first duplication report, GAO found that the federal government operated 47 different job training programs, almost all of which overlapped with other programs and had little documentation about their effectiveness. A maze of 18 different nutrition assistance programs showed, in GAO's words, "signs of overlap and inefficient use of resources" that made it difficult for those in need to get help.

In 2013, GAO identified 679 renewable energy programs at 23 federal agencies. These programs cost taxpayers \$15 billion in 2010. What did we get for that money? In one example, GAO highlighted a single wind project that received funding from seven different federal initiatives. Thanks to this overlap, taxpayers covered \$1.2 billion of the project's \$1.9 billion in capital costs. Worse yet, internal agency memos showed the project probably would have succeeded without any federal money at all.

In its 2014 report, GAO reported that 117,000 individuals collected concurrent unemployment insurance checks and disability benefits in 2010. According to GAO, "One individual ... received over \$62,000 in overlapping benefits in a [single] year."

Finally, as we will hear today, GAO has identified overlap in areas ranging from consumer product safety oversight – where 20 agencies have some involvement – to federal software licenses – where 22 of 24 agencies have no inventories or policies to avoid purchasing unnecessary software licenses.

According to GAO, implementation of the recommendations it has made has already resulted in over \$20 billion in savings, with another \$80 billion expected by 2023. Yet much more work remains to be done. Of the roughly 440 recommendations GAO has made, only 37 percent have been fully addressed.

GAO's findings demonstrate that simply spending more money and creating more programs is not the solution to society's ills. Well-intentioned legislation is not always well thought out. Too often, Congress creates new initiatives to address a pressing issue of the day without first doing its homework. The result is a hodgepodge of redundant programs, agencies and departments tasked with similar missions but lacking coordination.

In addition to addressing the five years of unnecessary duplication GAO has uncovered, Congress must do a better job of oversight to understand what agencies are currently doing, if it is working and whether a new program is even needed.

This report was intended to help give Congress a blueprint to stop spending money we do not have on things we do not need. Today's hearing is just the first step in our responsibility to taxpayers to be good stewards with their hard-earned money.

Senators Manchin and Ayotte have introduced legislation to require Congress to address GAO's recommendations. Likewise, Senator Lankford has introduced the Taxpayers Right-to-Know Act, which will help Congress identify duplicative programs. I look forward to working with my colleagues to tackle this problem.

Finally, I want to thank GAO for its hard work on these reports. I look forward to hearing from Comptroller General Gene Dodaro about what Congress and the agencies can do to address GAO's findings.



Opening Statement of Ranking Member Thomas R. Carper:  
*"Reducing Unnecessary Duplication in Federal Programs:  
 Billions More Could Be Saved"*  
 April 14, 2015

*As prepared for delivery:*

I want to thank Chairman Johnson for holding this hearing today. I also want to thank our witness, Mr. Gene Dodaro, for joining us to examine the Government Accountability Office's so-called 'duplication' report.

Let me start off my statement by saying a word about my friend and former colleague, Senator Tom Coburn.

Although he is not here today, I'd like recognize that Senator Coburn attached an amendment to the debt limit increase in 2010 requiring GAO to conduct this annual report. The amendment was approved by a vote of 94 to 0, illustrating the bipartisan desire to look in every nook and cranny of the government for ways to save money. So while Tom Coburn is no longer in the Senate, his dedication to that cause continues here today.

The issuance of today's report continues GAO's now 5-year examination of the federal government to identify major instances of fragmentation, overlap, and duplication. Throughout these five reports, GAO has provided a number of recommendations for Congress and the executive branch that, if implemented, have the potential to reduce significant waste and make our government more efficient.

Unfortunately, many of the topics discussed in GAO's reports are complex and difficult to solve. The issues cut across various departments and long-standing federal programs that each have their own constituencies and, in many cases, provide the public with much-needed services.

I also find it important to bear in mind that while we must be careful to root out instances of unneeded duplication, the fact that more than one agency or program is focused on an issue doesn't always mean we're wasting money or duplicating our efforts. Cybersecurity, protecting water quality, and assistance for disabled Americans are just a few areas that come to mind where it makes sense to have multiple federal agencies bringing their expertise to bear in addressing critical needs.

What the GAO report tells us is that we need sustained leadership and oversight in both the executive branch and Congress to decide where there is unnecessary duplication that can be eliminated, or where we need better coordination among government programs with similar missions.

As Mr. Dodaro will testify today, we have had significant success in recent years through this focus on duplication. GAO estimates executive branch and Congressional efforts to address suggested actions from GAO's past reports have resulted in approximately \$20 billion in

financial benefits from fiscal years 2011 through 2014, with another expected savings of \$80 billion through 2023.

One good example of this success was the passage last year of legislation that this Committee worked on extensively, the Federal Information Technology Acquisition Reform Act, or FITARA. Much of this legislation was based on GAO's good work identifying duplication and waste in the federal government's purchase of information technology, which totals roughly \$80 billion each year.

FITARA will ensure that agencies continually look across their IT investments to eliminate wasteful spending. It also requires agencies to close unneeded data centers, and it requires the Administrator of the General Services Administration to develop a strategy for the government to leverage its buying power for software. All these efforts should add up to billions of dollars in savings. FITARA is one example of success, but of course there is still much more work to be done.

At a time when we're fighting to create jobs and grow our economy while also grappling with historic budget deficits, the American people deserve a government that is smarter and more effective and efficient with the tax dollars they entrust to us.

GAO's duplication report, much like its High Risk report, lays out a road map for Congress and the Administration to work together to effectively implement the tools at our disposal that can mitigate many of these problems.

As we will hear today, if fully and effectively implemented, the Government Performance and Results Act Modernization Act of 2010 (GPRA Modernization Act) and the Digital Accountability and Transparency Act of 2014 (DATA Act) provide us with a solid foundation to work from to get better results for the American people when we spend their tax dollars.

The GPRA Modernization Act is already having success in moving agencies from simply having a strategic plan on paper to having performance measures that track how well money is being spent. And it provides for better coordination on performance measures when multiple agencies have a role in meeting a mission. For example, the Office of Management and Budget has been actively engaging stakeholder agencies through the 'Cross Agency Priority Goals' or CAP Goals leadership tool. CAP goals facilitate active collaboration between agencies to address key issues facing our nation such as cybersecurity, climate change, and Veterans' mental health.

The DATA Act will standardize spending data and make it comparable across federal programs, providing Congress and the Administration with an unprecedented window into federal spending. Greater transparency and access to data about federal spending will help us as policymakers in eliminating unnecessary duplication, fragmentation, and overlap in federal programs.

I look forward to working with the Administration to ensure that GPRA Modernization and the DATA Act both continue to be effectively implemented in the months and years to come.

I want to close by thanking Mr. Dodaro and his team at GAO for their hard work putting this report together. I look forward to hearing your thoughts as we work towards building a more effective federal government.



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United States Government Accountability Office

Testimony

Before the Committee on Homeland  
Security and Governmental Affairs,  
U.S. Senate

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For Release on Delivery  
Expected at 10:00 a.m. ET  
Tuesday, April 14, 2015

## GOVERNMENT EFFICIENCY AND EFFECTIVENESS

### Opportunities to Reduce Fragmentation, Overlap, and Duplication and Achieve Other Financial Benefits

Statement of Gene L. Dodaro  
Comptroller General of the United States

## GAO Highlights

Highlights of GAO-15-522T, a testimony before the Committee on Homeland Security and Governmental Affairs, U.S. Senate

### Why GAO Did This Study

As the fiscal pressures facing the government continue, so too does the need for executive branch agencies and Congress to improve the efficiency and effectiveness of government programs and activities. Such opportunities exist throughout government.

To bring these opportunities to light, Congress included a provision in statute for GAO to annually identify federal programs, agencies, offices, and initiatives (both within departments and government-wide) that are fragmented, overlapping, or duplicative. As part of this work, GAO also identifies additional opportunities to achieve cost savings or enhanced revenue collection. GAO's 2015 annual report is its fifth in this series (GAO-15-404SP).

This statement discusses (1) new opportunities GAO identifies in its 2015 report; (2) the status of actions taken to address the opportunities GAO identified in its 2011-2014 reports; and (3) existing and new tools available to help executive branch agencies and Congress reduce or better manage fragmentation, overlap, and duplication. To identify what actions exist to address these issues and take advantage of opportunities for cost savings and enhanced revenues, GAO reviewed and updated prior work, including recommendations for executive action and matters for congressional consideration.

View GAO-15-522T. For more information, contact Orice Williams Brown or A. Nicole Clowers at (202) 512-8678.

April 14, 2015

## GOVERNMENT EFFICIENCY AND EFFECTIVENESS

### Opportunities to Reduce Fragmentation, Overlap, and Duplication and Achieve Other Financial Benefits

#### What GAO Found

GAO's 2015 annual report identifies 66 new actions that executive branch agencies and Congress could take to improve the efficiency and effectiveness of government in 24 areas. GAO identifies 12 new areas in which there is evidence of fragmentation, overlap, or duplication. For example, GAO suggests that Congress repeal the statutorily required US Family Health Plan—a decades-old component of the Department of Defense's (DOD) Military Health System—because it duplicates the efforts of DOD's managed care support contractors by providing the same benefit to military beneficiaries. GAO also identifies 12 areas where opportunities exist either to reduce the cost of government operations or enhance revenue collections. For example, GAO suggests that Congress update the way Medicare has paid certain cancer hospitals since 1983, which could save about \$500 million per year.

The executive branch and Congress have made progress in addressing the approximately 440 actions government-wide that GAO identified in its past annual reports. Overall, as of March 6, 2015, 37 percent of these actions were addressed, 39 percent were partially addressed, and 20 percent were not addressed. Executive branch and congressional efforts to address these actions over the past 4 years have resulted in over \$20 billion in financial benefits, with about \$80 billion more in financial benefits anticipated in future years from these actions. Although progress has been made, fully addressing all the remaining actions identified in GAO's annual reports could lead to tens of billions of dollars of additional savings.

Status of Actions Directed to Congress and the Executive Branch from GAO's 2011-2014 Annual Reports, as of March 6, 2015

Status	Number of executive branch actions	Number of congressional actions	Total (percentage)
	(percentage)	(percentage)	
Addressed	149 (39%)	20 (27%)	169 (37%)
Partially addressed	168 (44)	11 (15)	179 (39)
Not addressed	52 (14)	38 (51)	90 (20)
Consolidated or other*	15 (4)	5 (7)	20 (4)

Source: GAO. | GAO-15-522T.

\*Actions included in "consolidated or other" were not assessed due to subsequent events or new information that GAO considered.

Addressing fragmentation, overlap, and duplication within the federal government is challenging due to, among other things, the lack of reliable budget and performance information. If fully and effectively implemented, the GPRA Modernization Act of 2010 and the Digital Accountability and Transparency Act of 2014 could help to improve performance and financial information. In addition, GAO has developed an evaluation and management guide (GAO-15-49SP), which is being released concurrently with the 2015 annual report. This guide provides a framework for analysts and decision makers to identify and evaluate instances of fragmentation, overlap and duplication and consider options for addressing or managing such instances.

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Chairman Johnson, Ranking Member Carper, and Members of the Committee:

I appreciate the opportunity to discuss our 2015 annual report, which presents 24 opportunities to reduce fragmentation, overlap, and duplication and achieve other financial benefits.<sup>1</sup> My testimony today describes (1) new issues identified in our 2015 annual report; (2) the status of actions taken by the administration and Congress to address the issues identified in our 2011-2014 annual reports;<sup>2</sup> and (3) existing and new tools available to help executive branch agencies and Congress reduce or better manage fragmentation, overlap, and duplication. My comments are based upon our 2015 annual report and an evaluation and management guide for assessing fragmentation, overlap, and duplication,<sup>3</sup> which are both being released today, as well as our update on the progress made in implementing actions that we have suggested in our previous annual reports.<sup>4</sup> These efforts are based upon work GAO conducted in accordance with generally accepted government auditing standards, or GAO's quality assurance framework.<sup>5</sup> More details on our scope and methodology can be found in the full report.

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<sup>1</sup>GAO, *2015 Annual Report: Additional Opportunities to Reduce Fragmentation, Overlap, and Duplication and Achieve Other Financial Benefits*, GAO-15-404SP (Washington, D.C.: Apr. 14, 2015).

<sup>2</sup>GAO, *2014 Annual Report: Additional Opportunities to Reduce Fragmentation, Overlap, and Duplication and Achieve Other Financial Benefits*, GAO-14-343SP (Washington, D.C.: Apr. 8, 2014); *2013 Annual Report: Actions Needed to Reduce Fragmentation, Overlap, and Duplication and Achieve Other Financial Benefits*, GAO-13-279SP (Washington, D.C.: Apr. 9, 2013); *2012 Annual Report: Opportunities to Reduce Duplication, Overlap and Fragmentation, Achieve Savings, and Enhance Revenue*, GAO-12-342SP (Washington, D.C.: Feb. 28, 2012); and *Opportunities to Reduce Potential Duplication in Government Programs, Save Tax Dollars, and Enhance Revenue*, GAO-11-318SP (Washington, D.C.: Mar. 1, 2011).

<sup>3</sup>See GAO, *Fragmentation, Overlap, and Duplication: An Evaluation and Management Guide*, GAO-15-49SP (Washington, D.C.: Apr. 14, 2015).

<sup>4</sup>See GAO's *Action Tracker*, a publicly accessible website that includes progress updates and assessments of the actions from this series of reports.

<sup>5</sup>We conducted the work for Area 16: U.S. Enrichment Corporation Fund under GAO's quality assurance framework. We use this framework when we conduct routine nonaudits, such as technical assistance provided to Congress. GAO's quality assurance framework requires that we plan and perform the engagement to meet our stated objectives and to discuss any limitations in our work. We maintain that the information and data obtained, and the analysis conducted, provide a reasonable basis for our findings and conclusions.

## Twenty-four Areas Identified to Improve Efficiency and Effectiveness across the Federal Government

In our 2015 annual report, we identify 12 new areas in which we found evidence of fragmentation, overlap, or duplication, and we present 20 actions to executive branch agencies and Congress to address these issues. As described in table 1, these areas span a wide range of federal functions or missions.

**Table 1: Fragmentation, Overlap, and Duplication Areas Identified in GAO's 2015 Report, by Mission**

Mission	Areas identified
Agriculture	1. <b>EPA's and FDA's Laboratory Inspections:</b> To avoid potential duplication of certain types of laboratory inspections and better leverage limited resources, the Environmental Protection Agency and the Food and Drug Administration should develop a formal process to collaborate and share information on planned inspections.
Defense	2. <b>Ground Radar and Guided Munitions Programs:</b> The Department of Defense should take steps to minimize the risk of future duplication within its ground radar and guided munitions weapons systems. 3. <b>Weapon System Milestone Decision Process:</b> To improve efficiency, the Secretary of Defense should streamline the Department of Defense's milestone decision process used for major weapon system acquisition programs by eliminating reviews that can be duplicative and are not highly valued by acquisition officials.
General government	4. <b>Consumer Product Safety Oversight:</b> More formal and comprehensive coordination among over 20 federal agencies is needed to help increase efficiency and effectiveness related to consumer product safety oversight and address challenges related to fragmentation and overlap. 5. <b>Nonemergency Medical Transportation:</b> To mitigate the effects of overlap, the Department of Transportation should take steps to enhance federal, state and local coordination among 42 programs that provide nonemergency medical transportation to individuals who cannot provide their own transportation due to age, disability, or income constraints.
Health	6. <b>DOD US Family Health Plan:</b> To potentially save millions of dollars and eliminate duplication within the Department of Defense's health care system, Congress should terminate the statutorily required US Family Health Plan because it offers military beneficiaries the same health care benefit offered by other DOD health care contractors. 7. <b>Medicare Postpayment Claims Reviews:</b> To prevent inappropriate duplicative postpayment claims reviews by contractors, the Centers for Medicare & Medicaid Services should monitor the Recovery Audit Data Warehouse—the database developed in part to prevent duplicative reviews—and develop more complete guidance on contractors' responsibilities. 8. <b>Programs for Serious Mental Illness:</b> To help ensure that the eight federal agencies administering over 100 programs supporting individuals with serious mental illness are able to develop an overarching perspective in order to understand the breadth of programs and resources used—including any potential gaps or overlap—greater coordination of federal efforts is needed. The Department of Health and Human Services, and within it, the Substance Abuse and Mental Health Services Administration, should establish a mechanism to facilitate coordination of programs relating to mental illness throughout the federal government.

Mission	Areas identified
Homeland security / law enforcement	9. <b>Vulnerability Assessments of Critical Infrastructure:</b> The Department of Homeland Security could mitigate potential duplication or gaps by consistently capturing and maintaining data from overlapping vulnerability assessments of critical infrastructure and improving data sharing and coordination among the offices and components involved with these assessments.
Information technology	10. <b>DHS Processing of FOIA Requests:</b> To address duplication in the processing of Freedom of Information Act requests, the Department of Homeland Security should determine the viability of re-establishing an agreement between two of its component agencies that process immigration files.
International affairs	11. <b>Federal and States' Export Promotion:</b> Because federal and state export promotion efforts overlap, the Department of Commerce should take steps to enhance collaboration among them to promote economic development while ensuring the most efficient use of limited federal resources.
Science and environment	12. <b>Oceanic and Atmospheric Observing Systems Portfolio:</b> The National Oceanic and Atmospheric Administration should analyze its portfolio of observing systems to determine the extent to which unnecessary duplication may exist.

Source: GAO | GAO-15-522T

We consider programs or activities to be fragmented when more than one federal agency (or more than one organization within an agency) is involved in the same broad area of national need, which may result in inefficiencies in how the government delivers services. We identified fragmentation in multiple programs we reviewed. For example, in our 2015 annual report, we reported that oversight of consumer product safety involves at least 20 federal agencies, including the Consumer Product Safety Commission (CPSC), resulting in fragmented oversight across agencies. Although agencies reported that the involvement of multiple agencies with various expertise can help ensure more comprehensive oversight by addressing a range of safety concerns, they also noted that fragmentation can result in unclear roles and potential regulatory gaps. Although a number of agencies have a role, no single entity has the expertise or authority to address the full scope of product safety activities. We suggested that Congress consider establishing a formal comprehensive oversight mechanism for consumer product safety agencies to address crosscutting issues as well as inefficiencies related to fragmentation and overlap, such as communication and coordination challenges and jurisdictional questions between agencies. Mechanisms could include, for example, formalizing relationships and agreements among consumer product safety agencies or establishing an interagency work group. CPSC, the Department of Homeland Security (DHS), the Department of Housing and Urban Development, and the Department of Commerce's National Institute of Standards and Technology agreed with GAO's matter for congressional consideration, while the remaining agencies neither agreed nor disagreed.



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Fragmentation can also be a harbinger for overlap or duplication. Overlap occurs when multiple agencies or programs have similar goals, engage in similar activities or strategies to achieve them, or target similar beneficiaries. We found overlap among federal programs or initiatives in a variety of areas, including nonemergency medical transportation (NEMT). Forty-two programs across six different federal departments provide NEMT to individuals who cannot provide their own transportation due to age, disability, or income constraints.<sup>6</sup> For example, NEMT programs at both Medicaid, within the Department of Health and Human Services (HHS), and the Department of Veterans Affairs (VA) have similar goals (to help their respective beneficiaries access medical services), serve potentially similar beneficiaries (those individuals who have disabilities, are low income, or are elderly), and engage in similar activities (providing NEMT transportation directly or indirectly).

We found a number of challenges to coordination for these NEMT programs. For example, Medicaid and VA largely do not participate in NEMT coordination activities in the states we visited, in part because both programs are designed to serve their own populations of eligible beneficiaries and the agencies are concerned that without proper controls payments could be made for services to ineligible individuals. However, because Medicaid and VA are important to NEMT, as they provide services to potentially over 90 million individuals, greater interagency cooperation—with appropriate controls and safeguards to prevent improper payments—could enhance services to transportation-disadvantaged individuals and save money. An interagency coordinating council was developed to enhance federal, state, and local coordination activities, and it has taken some actions to address human service-transportation program coordination. However, the council has not convened since 2008 and has provided only limited leadership. For example, the council has not issued key guidance documents that could promote coordination, including an updated strategic plan.

To improve efficiency, we recommended that the Department of Transportation (DOT), which chairs the interagency coordinating council, take steps to enhance coordination among the programs that provide NEMT. In response, DOT agreed that more work is needed to increase

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<sup>6</sup>The six federal departments are the Departments of Agriculture, Health and Human Services, Education, Housing and Urban Development, Transportation, and Veterans Affairs.

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coordination activities with all HHS agencies, especially the Centers for Medicare & Medicaid Services (CMS). DOT also said the Federal Transit Administration is asking its technical assistance centers to assist in developing responses to NEMT challenges.

In other aspects of our work, we found evidence of duplication, which occurs when two or more agencies or programs are engaged in the same activities or provide the same services to the same beneficiaries. An example of duplicative federal efforts is the US Family Health Plan (USFHP)—a statutorily required component of the Department of Defense's (DOD) Military Health System—and TRICARE Prime, which offers the same benefits to military beneficiaries.<sup>7</sup> The USFHP was initially incorporated into the Military Health System in 1982 when Congress enacted legislation transferring ownership of certain U.S. Public Health Service hospitals to specific health care providers, referred to as designated providers under the program. During the implementation of the TRICARE program in the 1990s, Congress required the designated providers to offer the TRICARE Prime benefit to their enrollees in accordance with the National Defense Authorization Act for Fiscal Year 1997. Today, the USFHP remains a health care option required by statute to be available to eligible beneficiaries in certain locations, despite TRICARE's national presence through the managed care support contractors. However, the USFHP has largely remained unchanged, and its role has not since been reassessed within the Military Health System.

DOD contracts with managed care support contractors to administer TRICARE Prime—TRICARE's managed care option—in three regions in the United States (North, South, and West). Separately, TRICARE Prime is offered through the USFHP by designated providers in certain locations within the same three TRICARE regions that are served by a managed care support contractor. Thus, the USFHP offers military beneficiaries the same TRICARE Prime benefit that is offered by the managed care support contractors across much of the same geographic service areas and through many of the same providers. As a result, DOD has incurred added costs by paying the USFHP designated providers to simultaneously administer the same TRICARE Prime benefit to the same population of eligible beneficiaries in many of the same locations as the

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<sup>7</sup>TRICARE-eligible beneficiaries include active duty personnel and their dependents, medically eligible Reserve and National Guard personnel and their dependents, and retirees and their dependents and survivors.

managed care support contractors. To eliminate this duplication within DOD's health system and potentially save millions of dollars, we suggested that Congress terminate the statutorily required USFHP.

In addition to areas of fragmentation, overlap, and duplication, our 2015 report identified 46 actions that the executive branch and Congress can take to reduce the cost of government operations and enhance revenue collections for the U.S. Treasury in 12 areas. These opportunities for executive branch or congressional action exist in a wide range of federal government missions (see table 2).

**Table 2: Cost Savings and Revenue Enhancement Opportunities Identified in GAO's 2015 Report, by Mission**

Mission	Areas identified
Defense	13. <b>Defense Facilities Consolidation and Disposal:</b> To help identify opportunities for saving costs by consolidating or disposing of unused or underutilized facilities, the Department of Defense should ensure that data on the utilization of Department of Defense facilities—which were collectively valued at around \$850 billion in fiscal year 2013—are complete and accurate.
	14. <b>DOD Headquarters Reductions and Workforce Requirements:</b> The Department of Defense could potentially achieve hundreds of millions of dollars in cost savings and help to ensure that headquarters organizations are properly sized to meet their assigned missions by reevaluating its ongoing headquarters-reductions efforts and conducting periodic reassessments of workforce requirements.
Energy	15. <b>Strategic Petroleum Reserve:</b> The Department of Energy could potentially realize significant savings by reexamining the appropriate size of the Strategic Petroleum Reserve—which was valued at about \$45 billion as of December 2014—and depending on the outcome of the analysis, selling crude oil from the reserve and using the proceeds to fund other national priorities.
	16. <b>U.S. Enrichment Corporation Fund:</b> Congress may wish to consider permanent rescission of the entire \$1.6 billion balance of the U.S. Enrichment Corporation Fund—a revolving fund in the U.S. Treasury—because its purposes have been fulfilled.
General government	17. <b>Tax Policies and Enforcement, 2015:</b> By more effectively using data to manage various enforcement programs, the Internal Revenue Service could bolster tax compliance and potentially collect hundreds of millions of dollars in additional revenue.
Health	18. <b>DOD TRICARE Improper Payments:</b> To achieve potential cost savings associated with billions of dollars of improper payments, the Department of Defense should implement a more comprehensive improper payment measurement methodology and develop more robust corrective action plans for the military health care program known as TRICARE.
	19. <b>Medicare Payments to Certain Cancer Hospitals:</b> To achieve almost \$500 million per year in program savings, Congress should consider updating how Medicare pays certain cancer hospitals.
	20. <b>State Medicaid Sources of Funds:</b> To potentially save hundreds of millions of dollars, the Centers for Medicare & Medicaid Services should ensure that states report accurate and complete data on state Medicaid sources of funds so that it may better oversee states' financing arrangements that can increase costs for the federal government.
Income security	21. <b>Children's Disability Reviews:</b> To prevent an estimated \$3.1 billion dollars in potential overpayments over 5 years, the Social Security Administration needs to conduct timely disability reviews to better ensure that only eligible children receive cash benefits from the Supplemental Security Income program.

Mission	Areas identified
	22. <b>Supplemental Nutrition Assistance Program Fraud and Abuse:</b> States should be able to more effectively fight fraud among beneficiaries of the Supplemental Nutrition Assistance Program—which provided more than \$76 billion in benefits in fiscal year 2013—by using data to better focus investigative efforts on high-risk households.
Information technology	23. <b>Federal Software Licenses:</b> In order to achieve hundreds of millions of dollars in government-wide savings, federal agencies should apply better management of software licenses and the Office of Management and Budget should issue a directive to assist agencies in doing so.
Social services	24. <b>Disaster Relief Fund Administrative Costs:</b> Cost savings of millions of dollars could be realized if Federal Emergency Management Agency officials enhance their oversight of the agency's administrative costs obligated from the Disaster Relief Fund for major disasters.

Source: GAO. | GAO-15-522T

Examples of opportunities to reduce costs or enhance revenue collections from our 2015 annual report include updating the way Medicare pays certain cancer hospitals, rescinding unobligated funds, and re-examining the appropriate size of the Strategic Petroleum Reserve.

- Updating the way Medicare pays certain cancer hospitals:* To better control Medicare spending and generate cost savings of almost \$500 million per year, Congress should consider changing Medicare's cost-based payment methods for certain cancer hospitals. Medicare pays the majority of hospitals using an approach known as the inpatient and outpatient prospective payment systems (PPS). Under a PPS, hospitals are paid a predetermined amount based on the clinical classification of each service they provide to beneficiaries. Beginning in 1983, in response to concern that certain cancer hospitals would experience payment reductions under such a system, Congress required the establishment of criteria under which 11 cancer hospitals are exempted from the inpatient PPS and receive payment adjustments under the outpatient PPS. Since these cancer hospitals were first designated in the early 1980s, cancer care and Medicare's payment system have changed significantly. Advances in techniques and drugs have increased treatment options and allowed for more localized delivery of care. Along with these developments, the primary setting for cancer care has shifted from the inpatient setting to the outpatient setting. In addition, Medicare's current payment system better recognizes the resource intensity of hospital care than the system put in place in 1983.

While most hospitals are paid a predetermined amount based on the clinical classification of each service they provide to beneficiaries, Medicare generally pays these 11 cancer hospitals based on their reported costs, providing little incentive for efficiency. We found that if beneficiaries who received care at the 11 cancer hospitals had

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received inpatient and outpatient services at nearby PPS teaching hospitals, Medicare might have realized substantial savings in 2012. Specifically, we estimated inpatient savings of about \$166 million; we calculated outpatient savings of about \$303 million if forgone payment adjustments were returned to the Medicare Trust Fund.<sup>8</sup> Until Medicare pays these cancer hospitals in a way that encourages greater efficiency, Medicare remains at risk for overspending.

- *Rescinding unobligated funds:* Congress may wish to consider permanently rescinding the entire \$1.6 billion balance of the U.S. Enrichment Corporation (USEC) Fund, a revolving fund in the U.S. Treasury. As part of a 2001 GAO legal opinion, we determined that the USEC Fund was available for two purposes, both of which have been fulfilled: (1) environmental clean-up expenses associated with the disposition of depleted uranium at two specific facilities and (2) expenses of USEC privatization. Regarding the first authorized purpose, the construction of intended facilities associated with the disposition of depleted uranium has been completed. Regarding the second authorized purpose, USEC privatization was completed in 1998 when ownership of USEC was transferred to private investors. In an April 2014 report to Congress, the Department of Energy's (DOE) National Nuclear Security Administration stated that the USEC Fund was one of two sources of funding that it was exploring to finance research, development, and demonstration of national nuclear security-related enrichment technologies. However, this is not one of the authorized purposes of the USEC Fund. Transparency in budget materials is important for informing congressional decisions, and DOE's efforts to utilize USEC Fund monies instead of general fund appropriations diminish that transparency.

The House of Representatives included language to permanently rescind the USEC Fund in H.R. 4923, Energy and Water Development and Related Agencies Appropriations Act, which passed the House on July 10, 2014. However, the rescission was not included in Public Law 113-235, Consolidated and Further Continuing Appropriations Act, 2015. As of March 2015, legislation containing a similar rescission had not been introduced in the 114th Congress.

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<sup>8</sup>We estimated this inpatient savings amount within a range of plus or minus \$4 million at a 95 percent confidence level. This savings estimate covers 9 of the 11 cancer hospitals due to missing 2012 data for 2 hospitals.

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- *Re-examining the appropriate size of the Strategic Petroleum Reserve:* DOE should assess the appropriate size of the Strategic Petroleum Reserve (SPR) to determine whether excess crude oil could be sold to fund other national priorities. The United States holds the SPR so that it can release oil to the market during supply disruptions to protect the U.S. economy from damage. After decades of generally falling U.S. crude oil production, technological advances have contributed to increasing U.S. production. Monthly crude oil production has increased by almost 68 percent from 2008 through April 2014, and increases in production in 2012 and 2013 were the largest annual increases since the beginning of U.S. commercial crude oil production in 1859, according to the Energy Information Administration (EIA).<sup>9</sup>

As of September 2014, the reserve had 106 days of imports, which DOE estimated was valued at about \$45 billion as of December 2014. In addition, as of September 2014, private industry held reserves of 141 days. As a member of the International Energy Agency, the United States is required to maintain public and private reserves of at least 90 days of net imports and to release these reserves and reduce demand during oil supply disruptions.

We found in September 2014 that DOE had taken steps to assess aspects of the SPR but had not recently reexamined its size. Without such a reexamination, DOE cannot be assured that the SPR is holding an appropriate amount of crude oil. If, for example, DOE found that 90 days of imports was an appropriate size for the SPR, it could sell crude oil worth \$6.7 billion and use the proceeds to fund other national priorities. In addition, by reducing the SPR to 90 days, DOE may be able to reduce its operating costs by about \$25 million per year.<sup>10</sup> DOE concurred with our recommendation, stating that a broad, long-range review of the SPR is needed and that it has initiated a process for conducting a comprehensive re-examination of the appropriate size of the SPR.

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<sup>9</sup>EIA is a statistical agency within the Department of Energy that collects, analyzes, and disseminates independent information on energy issues.

<sup>10</sup>The estimated operation savings was based on GAO's calculation of the amount of oil in excess of 90 days of net imports as of September 2014 and DOE's assessment of its annual operating cost for the SPR at \$0.25 per barrel.

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**Congress and  
Executive Branch  
Agencies Continue to  
Make Progress  
toward Addressing  
Our Identified Actions**

In addition to the 66 new actions identified for this year's annual report, we have continued to monitor the progress that executive branch agencies or Congress have made in addressing the issues we identified in our 2011-2014 annual reports.

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**Overall Progress on 2011-  
2014 Actions**

The executive branch and Congress have made progress in addressing a number of the approximately 440 actions we previously identified (fig. 1).<sup>11</sup> In total, as of March 6, 2015, the date we completed our audit work, we found that overall 169 (37 percent) were addressed, 179 (39 percent) were partially addressed, and 90 (20 percent) were not addressed.<sup>12</sup> An additional 46 actions have been assessed as addressed over the past year; these include 13 actions identified in 2011, 14 actions identified in 2012, 11 actions identified in 2013, and 8 identified in 2014.<sup>13</sup>

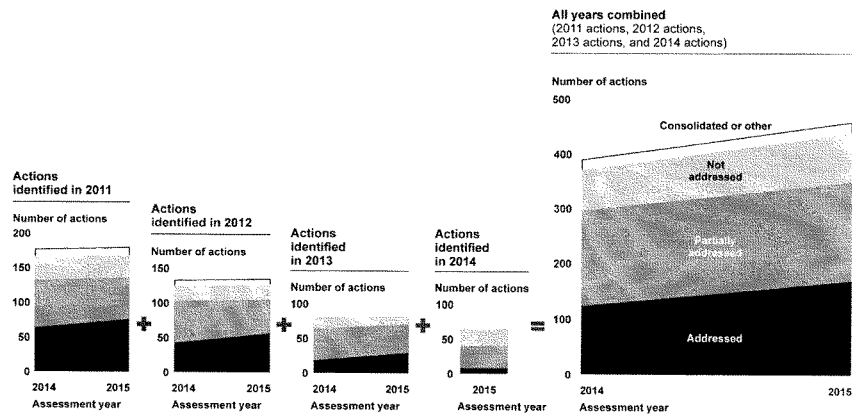
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<sup>11</sup>In assessing actions suggested for Congress, we applied the following criteria: "addressed" means relevant legislation has been enacted and addresses all aspects of the action needed; "partially addressed" means a relevant bill has passed a committee, the House of Representatives, or the Senate, or relevant legislation has been enacted but only addressed part of the action needed; and "not addressed" means a bill may have been introduced but did not pass out of a committee, or no relevant legislation has been introduced. In assessing actions suggested for the executive branch, we applied the following criteria: "addressed" means implementation of the action needed has been completed; "partially addressed" means the action needed is in development, or started but not yet completed; and "not addressed" means the administration, the agencies, or both have made minimal or no progress toward implementing the action needed.

<sup>12</sup>Twenty actions were categorized as "consolidated or other" and were not assessed due to subsequent events or new information we considered.

<sup>13</sup>Our findings on this progress are reported in GAO's *Action Tracker*, a publicly accessible website that includes progress updates and assessments of the actions from this series of reports.

Figure 1: Changes in Assessment of Actions from GAO's 2011 to 2014 Annual Reports



Note: Actions included in "consolidated or other" were not assessed due to subsequent events or new information that GAO considered. Additionally, 2014 actions were not assessed in 2014 since that was the year that the actions were identified.

Executive branch and congressional efforts from fiscal years 2011 through 2014 have resulted in over \$20 billion in realized cost savings to date, with another approximately \$80 billion in additional benefits projected to be accrued through 2023.<sup>14</sup> The following examples illustrate the progress that has been made over the last 4 years.

- *Combat Uniforms:* In our 2013 annual report, we found that DOD's fragmented approach could lead to increased risk on the battlefield for military personnel and increased development and acquisition costs.

<sup>14</sup>In calculating these estimates, we relied on estimates from the Congressional Budget Office and the Joint Committee on Taxation, where possible. We also developed estimates based on agencies' data and used agencies' developed estimates. The totals reflect a summary of these estimates, which relied on different data sources and methodologies and considered different time periods.



In response, DOD developed and issued guidance on joint criteria to help ensure that future service-specific uniforms will provide equivalent levels of performance and protection. In addition, a provision in the National Defense Authorization Act for Fiscal Year 2014 established as policy that the Secretary of Defense shall eliminate the development and fielding of service-specific combat and camouflage utility uniforms in order to adopt and field common uniforms for specific environments to be used by all members of the armed forces.<sup>15</sup> Most recently, the Army chose not to introduce a new family of camouflage uniforms into its inventory, in part because of this legislation, resulting in a cost avoidance of about \$4.2 billion over 5 years.

- *Employment and Training:* Congress and executive branch agencies have taken actions to help address the proliferation of certain employment programs and improve the delivery of benefits. Specifically, in June 2012, we reported on 45 programs administered by nine federal agencies that supported employment for people with disabilities and found these programs were fragmented and often provided similar services to similar populations.<sup>16</sup> The Workforce Innovation and Opportunity Act, enacted in July 2014, eliminated three programs that supported employment for people with disabilities, including the Veterans' Workforce Investment Program, administered by the Department of Labor, and the Migrant and Seasonal Farmworker Program and Projects with Industry, administered by the Department of Education.<sup>17</sup> In addition, the Office

<sup>15</sup>Subject to certain exceptions, the provision also prohibits the military departments from adopting new pattern designs or uniform fabrics unless they will be adopted by all services or the uniform is already in use by another service. See Pub. L. No. 113-66, § 352(a), (b) (2013). In addition, DOD must issue implementing guidance requiring the military departments to, among other things, ensure that new uniforms meet commanders of combatant command's geographic and operational requirements and continually work together to assess and develop new uniform technologies to improve warfighter survivability. See Pub. L. No. 113-66, § 352(f).

<sup>16</sup>GAO's February 2012 annual report on opportunities to reduce fragmentation, overlap, and duplication across the federal government included 50 programs that supported employment for people with disabilities in fiscal year 2010. GAO later updated its analyses to exclude, for example, programs that had been phased out or ended as of April 2012. In June 2012, GAO reported on 45 programs that supported employment for people with disabilities.

<sup>17</sup>Funding for Projects with Industry was eliminated in fiscal year 2011. As a result, we excluded it from our list of 45 programs in our June 2012 report.

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of Management and Budget (OMB) worked with executive agencies to propose consolidating or eliminating two other programs, although Congress did not take action and both programs continued to receive funding.

The Workforce Innovation and Opportunity Act also helped to promote efficiencies for some of the 47 employment and training programs that support a broader population (including people with and without disabilities), which we reported on in 2011. In particular, this law requires states to develop a unified state plan that covers all designated core programs in order to receive certain funding. As a result, states' implementation of the requirement may enable them to increase administrative efficiencies in employment and training programs—a key objective of our prior recommendations. In addition, the House Budget Resolution for fiscal year 2016<sup>18</sup> calls for further streamlining and consolidating federal job training programs and empowering states with the flexibility to tailor funding and programs to specific needs of their workforce, consistent with our recommendations in this area.

- *Farm Program Payments:* We reported in our 2011 annual report that Congress could save up to \$5 billion annually by reducing or eliminating direct payments to farmers. These are fixed annual payments based on a farm's history of crop production. Farmers received them regardless of whether they grew crops and even in years of record income. Direct payments were expected to be transitional when first authorized in 1996, but subsequent farm bills continued these payments.<sup>19</sup> Congress passed the Agricultural Act of 2014, which eliminated direct payments to farmers and should save approximately \$4.9 billion annually from fiscal year 2015 through fiscal year 2023, according to the Congressional Budget Office.

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<sup>18</sup>H.R. Con. Res. 27, 114th Cong. (2015).

<sup>19</sup>According to the conference report accompanying the 1996 Farm Bill, production flexibility contract payments—the precursors to direct payments, which were similar in design—were established to help farmers make a transition to basing their planting decisions on market signals rather than on government programs. Accordingly, production flexibility contract payments were scheduled to decrease over time and expire in 2002. Federal Agricultural Improvement and Reform Act of 1996, Pub. L. No. 104-127, 110 Stat. 888. However, farm bills passed in 2002 and 2008 continued these payments as “direct payments.”

### Committed Leadership Is Needed to Fully Address the Remaining Actions

Although Congress and executive branch agencies have made progress toward addressing the actions we have identified, further steps are needed to fully address the remaining actions, as shown in table 3. More specifically, 57 percent of the actions addressed to executive branch agencies and 66 percent of the actions addressed to Congress identified in our 2011-2014 reports remain partially or not addressed.<sup>20</sup>

**Table 3: Status of 2011-2014 Actions Directed to Congress and the Executive Branch, as of March 6, 2015**

Status	Executive branch <sup>a</sup>		Congress <sup>b</sup>		Total	
	Number of actions	Percentage	Number of actions	Percentage	Total number of actions	Overall percentage
Addressed	149	39%	20	27%	169	37%
Partially addressed	168	44	11	15	179	39
Not addressed	52	14	38	51	90	20
Consolidated or other	15	4	5	7	20	4

Source: GAO. | GAO-15-522T

Note: Actions included in "consolidated or other" were not assessed due to subsequent events or new information that GAO considered.

<sup>a</sup>Executive branch agencies took steps that addressed four actions directed to Congress.

<sup>b</sup>Congress took steps that fully addressed one action and partially addressed another action directed to executive branch agencies.

As our work has shown, committed leadership is needed to overcome the many barriers to working across agency boundaries, such as agencies' concerns about protecting jurisdiction over missions and control over resources or incompatible procedures, processes, data, and computer systems. Without increased or renewed leadership focus, opportunities will be missed to improve the efficiency and effectiveness of programs and save taxpayers' dollars.

### Reducing Contract Spending through Strategic Sourcing

In our 2013 annual report, we reported that federal agencies could achieve significant cost savings annually by expanding and improving their use of strategic sourcing—a contracting process that moves away from numerous individual procurement actions to a broader aggregated approach. In particular, DOD, DHS, DOE, and VA accounted for 80 percent of the \$537 billion in federal procurement spending in fiscal year

<sup>20</sup>Twenty actions, or 4 percent, have been consolidated into other areas and are no longer being assessed due to subsequent events or new information that GAO considered.

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2011, but reported managing about 5 percent, or \$25.8 billion, through strategic sourcing efforts. In contrast, leading commercial firms leverage buying power by strategically managing 90 percent of their spending—achieving savings of 10 percent or more of total procurements costs. While strategic sourcing may not be suitable for all procurement spending, we reported that a reduction of 1 percent from procurement spending at these agencies would equate to over \$4 billion in savings annually—an opportunity also noted in the House Budget Resolution for fiscal year 2016. However, a lack of clear guidance on metrics for measuring success has hindered the management of ongoing strategic sourcing efforts across the federal government.

Since our 2013 report, OMB has made progress by issuing guidance on calculating savings for government-wide strategic sourcing contracts, and in December 2014 it issued a memorandum on category management that, among other things, identifies federal spending categories suitable for strategic sourcing. These categories cover some of the government's largest spending categories, including information technology and professional services. According to OMB, these categories accounted for \$277 billion in fiscal year 2013 federal procurements. This level of spending suggests that by using smarter buying practices the government could realize billions of dollars in savings. In addition, the administration has identified expanded use of high-quality, high-value strategic sourcing solutions as one of its cross-agency priority goals, which are a limited set of outcome-oriented, federal priority goals. However, until OMB sets government-wide goals and establishes metrics, the government may miss opportunities for billions in cost savings through strategic sourcing.

More Effectively Targeting  
Defense Resources

Our work on defense has highlighted opportunities to improve efficiencies, reduce costs, and address overlapping and potentially duplicative services that result from multiple entities providing the same service, including the following examples.

- *Combatant Command Headquarters Costs:* Our body of work has raised questions about whether DOD's efforts to reduce headquarters overhead will result in meaningful savings. In 2013, the Secretary of Defense directed a 20 percent cut in management headquarters spending throughout DOD, to include the combatant commands and service component commands. In June 2014, we found that mission and headquarters-support costs for the five geographic combatant commands and their service component commands we reviewed more than doubled from fiscal years 2007 through 2012, to about \$1.7 billion. We recommended that DOD more systematically evaluate the

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sizing and resourcing of its combatant commands. If the department applied the 20 percent reduction in management headquarters spending to the entire \$1.7 billion DOD used to operate and support the five geographic combatant commands in fiscal year 2012, we reported that DOD could achieve up to an estimated \$340 million in annual savings.

- *Electronic Warfare:* We reported in 2011 that all four military services in DOD had been separately developing and acquiring new airborne electronic attack systems and that spending on new and updated systems was projected to total more than \$17.6 billion during fiscal years 2007-2016. While the department has taken steps to better inform its investments in airborne electronic attack capabilities, it has yet to assess its plans for developing and acquiring two new expendable jamming decoys to determine if these initiatives should be merged.<sup>21</sup>

More broadly, we identified multiple weaknesses in the way DOD acquires weapon systems and the actions that are needed to address these issues, which we recently highlighted in our high-risk series update in February 2015.<sup>22</sup> For example, further progress must be made in tackling the incentives that drive the acquisition process and its behaviors, applying best practices, attracting and empowering acquisition personnel, reinforcing desirable principles at the beginning of programs, and improving the budget process to allow better alignment of programs and their risks and needs. The House Budget Resolution for fiscal year 2016 encourages a continued review to improve the affordability of defense acquisitions. Addressing the issues that we have identified could help DOD improve the returns on its \$1.4 trillion investment in major weapon systems and find ways to deliver capabilities for less than it has in the past.

#### Efficiently Managing Information Technology

The federal government annually invests more than \$80 billion on information technology (IT). The magnitude of these expenditures highlights the importance of avoiding duplicative investments to better ensure the most efficient use of resources. Opportunities remain to reduce or better manage duplication and the cost of government

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<sup>21</sup>DOD employs expendable jamming decoys to degrade enemy air defense systems with the purpose of allowing U.S. aircraft to operate within threat environments.

<sup>22</sup>GAO, *High-Risk Series: An Update*, GAO-15-290 (Washington, D.C.: Feb. 11, 2015).

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operations in critical IT areas, many of which require agencies to work together to improve systems, including the following examples.

- *Information Technology Investment Portfolio Management:* To better manage existing IT systems, in March 2012 OMB launched the PortfolioStat initiative. PortfolioStat requires agencies to conduct an annual, agency-wide review of their IT portfolios to reduce commodity IT spending and demonstrate how their IT investments align with their missions and business functions, among other things. In 2014, we found that while the 26 federal agencies required to participate in PortfolioStat had made progress in implementing OMB's initiative, weaknesses existed in agencies' implementation of the initiative, such as limitations in the Chief Information Officer's authority. In the President's Fiscal Year 2016 Budget submission, the administration proposes to use PortfolioStat to drive efficiencies in agencies' IT programs. As noted in our recent high-risk series update, we have made more than 60 recommendations to improve OMB and agencies' implementation of PortfolioStat and provide greater assurance that agencies will realize the nearly \$6 billion in savings they estimated they would achieve through fiscal year 2015.<sup>23</sup>
- *Federal Data Centers:* In September 2014, we found that consolidating federal data centers would provide an opportunity to improve government efficiency and achieve cost savings and avoidances of about \$5.3 billion by fiscal year 2017. Although OMB has taken steps to identify data center consolidation opportunities across agencies, weaknesses exist in the execution and oversight of the consolidation efforts. Specifically, we reported many agencies are not fully reporting their planned savings to OMB as required; GAO estimates that the savings have been underreported to OMB by approximately \$2.2 billion. It will continue to be important for agencies to complete their inventories and implement their plans for consolidation to better ensure continued progress toward OMB's planned consolidation, optimization, and cost-savings goals.
- *Information Technology Operations and Maintenance:* Twenty-seven federal agencies plan to spend about \$58 billion—almost three-quarters of the overall \$79 billion budgeted for federal IT in fiscal year 2015—on the operations and maintenance of legacy investments.

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<sup>23</sup>GAO-15-290.

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Given the magnitude of these investments, it is important that agencies effectively manage them to better ensure the investments (1) continue to meet agency needs, (2) deliver value, and (3) do not unnecessarily duplicate or overlap with other investments.

Accordingly, OMB developed guidance that calls for agencies to analyze (via operational analysis) whether such investments are continuing to meet business and customer needs and are contributing to meeting the agency's strategic goals. In our 2013 annual report, we reported that agencies did not conduct such an analysis on 52 of the 75 major existing information technology investments we reviewed.<sup>24</sup>

As a result, there was increased potential for these information technology investments in operations and maintenance—totaling \$37 billion in fiscal year 2011—to result in waste and duplication.

To avoid wasteful or duplicative investments in operations and maintenance, we recommended that agencies analyze all information technology investments annually and report the results of their analyses to OMB. Agencies have made progress in performing some operational analyses; however, until the agencies fully implement their policies and ensure complete and thorough operational analyses are being performed on their multibillion-dollar operational investments, there is increased risk that these agencies will not know whether these investments fully meet their intended objectives, therefore increasing the potential for waste and duplication.

- *Geospatial Investments:* In a 2013 report, we found that 31 federal departments and agencies invested billions of dollars to collect, maintain, and use geospatial information—information linked to specific geographic locations that supports many government functions, such as maintaining roads and responding to natural disasters. We found that federal agencies had not effectively implemented policies and procedures that would help them identify and coordinate geospatial data acquisitions across the government, resulting in duplicative investments.

In a 2015 report, we reported that federal agencies had made progress in implementing geospatial data-related policies and

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<sup>24</sup>Our review included major information technology investments at DOD, HHS, DHS, the Department of the Treasury, and VA.

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procedures.<sup>25</sup> However, critical items remained incomplete, such as coordinating activities with state governments, which also use a variety of geospatial datasets—including address data and aerial imagery—to support their missions. We found that a new initiative to create a national address database could potentially result in significant savings for federal, state, and local governments. To foster progress in developing such a national database, we suggested that Congress consider assessing existing statutory limitations on address data. We also recommended that the interagency coordinating body for geospatial information (1) establish subcommittees and working groups to assist in furthering a national address database and (2) identify discrete steps to further a national imagery program benefitting governments at all levels. Finally, we recommended that the Director of OMB require agencies to report on their efforts to implement policies and procedures before making new investments in geospatial data. OMB generally agreed with this recommendation. In addition, in March 2015, the Geospatial Data Act of 2015 was introduced and includes provisions to improve oversight and help reduce duplication in the management of geospatial data, consistent with our recommended actions.<sup>26</sup> Fully addressing the actions in our two reports could help reduce duplicative investments and the risk of missing opportunities to jointly acquire data, potentially saving millions of dollars.<sup>27</sup>

The federal IT acquisition reforms enacted in December 2014 reinforced a number of the actions that we have recommended to address IT management issues.<sup>28</sup> It established that the Chief Information Officer in each agency has a significant role in the decision processes for planning, programming, management, governance and oversight related to

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<sup>25</sup>GAO, *Progress Needed on Identifying Expenditures, Building and Utilizing Data Infrastructure, and Reducing Duplicative Efforts*, GAO-15-193 (Washington, D.C.: Feb. 12, 2015).

<sup>26</sup>S. 740, 114<sup>th</sup> Cong. (2015).

<sup>27</sup>We have added the recommendations from GAO-15-193 to GAO's *Action Tracker*.

<sup>28</sup>See the federal information technology acquisition reform provisions (commonly referred to as Federal Information Technology Acquisition Reform Act or FITARA) of the 2015 Defense Authorization Act. Sections 831–837, The Carl Levin & Howard P. “Buck” McKeon National Defense Authorization Act for Fiscal Year 2015, Pub. L. No. 113-291, Div. A., tit. VII, Subtitle D (2014).



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#### Improving Fiscal Oversight of Medicare and Medicaid

information technology, as well as approval for IT budget requests. In addition, the law containing these reforms codifies federal data center consolidation, emphasizing annual reporting on cost savings and detailed metric reporting and OMB's PortfolioStat process, focusing on reducing duplication, consolidation, and cost savings. If effectively implemented, this legislation should improve the transparency and management of IT acquisitions and operations across the government.

Over the years, we have identified a number of actions that have the potential for sizable cost savings through improved fiscal oversight in the Medicare and Medicaid programs. For example, CMS could save billions of dollars by improving the accuracy of its payments to Medicare Advantage programs, such as through methodology adjustments to account for diagnostic coding differences between Medicare Advantage and traditional Medicare.<sup>29</sup> In addition, we found that federal spending on Medicaid demonstrations could be reduced by billions of dollars if HHS were required to improve the process for reviewing, approving, and making transparent the basis for spending limits approved for Medicaid demonstrations.<sup>30</sup> In particular, our work between 2002 and 2014 has shown that HHS approved several demonstrations without ensuring that they would be budget neutral to the federal government.

To address this issue, we suggested that Congress could require the Secretary of Health and Human Services to improve the Medicaid demonstration review process, through steps such as improving the review criteria, better ensuring that valid methods are used to demonstrate budget neutrality, and documenting and making clear the basis for the approved limits. We concluded in August 2014 that HHS's approval of \$778 million dollars of hypothetical costs (i.e., expenditures the state could have made but did not) in the Arkansas demonstration spending limit and the department's waiver of its cost-effectiveness

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<sup>29</sup>Medicare Advantage is the private plan alternative to the original Medicare program. Medicare Advantage plans are paid a fixed, per member, per month payment to provide all services covered under original Medicare. This payment does not vary on the basis of the services beneficiaries receive.

<sup>30</sup>Under Section 1115 of the Social Security Act, the Secretary of Health and Human Services can approve waivers of certain Medicaid requirements, and provide states with new spending authorities, for purposes of implementing Medicaid demonstration projects. The demonstrations under the law are for purposes of testing new ways to operate state programs and deliver services, and agency policy requires that the programs not increase federal spending.

requirement is further evidence of our long-standing concerns that HHS is approving demonstrations that may not be budget-neutral.<sup>31</sup> HHS's approval of the Arkansas demonstration suggests that the Secretary may continue to approve section 1115 Medicaid demonstrations that raise federal costs, inconsistent with the department's policy of budget neutrality. We maintain that enhancing the process HHS uses to demonstrate budget neutrality of its demonstrations could save billions in federal expenditures.

In our February 2015 high-risk series update, we reported that while CMS had taken positive steps to improve Medicare and Medicaid oversight in recent years, in several areas, CMS had still to address some issues and recommendations, and improper payment rates have remained unacceptably high.<sup>32</sup> We reported that to achieve and demonstrate reductions in the estimated \$60 billion dollars in Medicare improper payments in 2014, CMS should fully exercise its authority related to strengthening its provider and supplier enrollment provisions and address our open recommendations related to prepayment and postpayment claims review activities. Similarly, in the area of Medicaid for which the federal share of estimated improper payments was \$17.5 billion in 2014, we have made recommendations targeted at (1) improving the completeness and reliability of key data needed for ensuring effective oversight, (2) implementing effective program integrity processes for managed care, (3) ensuring clear reporting of overpayment recoveries, and (4) refocusing efforts on program integrity approaches that are cost-effective. These recommendations, if effectively implemented, could improve program management, help reduce improper payments in these programs, and achieve cost savings.<sup>33</sup>

#### Increasing Tax Revenue Collections

Over the last 4 years, our work identified multiple opportunities for the government to increase revenue collections. For example, in 2014, we identified three actions that Congress could authorize that could increase tax revenue collections from delinquent taxpayers by hundreds of millions

<sup>31</sup>GAO, *Medicaid Demonstrations: HHS's Approval Process for Arkansas's Medicaid Expansion Waiver Raises Cost Concerns*, GAO-14-689R (Washington, D.C.: Aug. 8, 2014).

<sup>32</sup>GAO-15-290.

<sup>33</sup>For more details on these recommendations, please see our High Risk website: <http://www.gao.gov/highrisk/overview>.

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of dollars over a 5-year period: limiting issuance of passports to applicants, levying payments to Medicaid providers, and identifying security clearance applicants.<sup>34</sup> For example, Congress could consider requiring the Secretary of State to prevent individuals who owe federal taxes from receiving passports. We found that in fiscal year 2008, passports were issued to about 16 million individuals; about 1 percent of these collectively owed more than \$5.8 billion in unpaid federal taxes as of September 30, 2008. According to a 2012 Congressional Budget Office estimate, the federal government could save about \$500 million over a 5-year period by revoking or denying passports to those with certain federal tax delinquencies.

#### Implementing Benefit Offsets

We have also identified opportunities to implement program benefit offsets, in which certain program benefits for individuals are reduced in recognition of other benefits received. Examples include the following:

- *Social Security Offsets:* In our 2011 annual report, we reported that the Social Security Administration (SSA) needs data from state and local governments on retirees who receive pensions from employment not covered under Social Security to better enforce offsets and ensure benefit fairness. In particular, SSA needs this information to fairly and accurately apply the Government Pension Offset, which generally applies to spouse and survivor benefits, and the Windfall Elimination Provision, which applies to retired worker benefits. The Social Security's Government Pension Offset and Windfall Elimination Provision take noncovered employment into account when calculating Social Security benefits. While information on receipt of pensions from noncovered employment is available for federal pension benefits from the federal Office of Personnel Management, it is not available to SSA for many state and local pension benefits.

The President's Fiscal Year 2016 Budget submission re-proposed legislation that would require state and local governments to provide information on their noncovered pension payments to SSA so that the agency can apply the Government Pension Offset and Windfall Elimination Provision. The proposal includes funds for administrative expenses, with a portion available to states to develop a mechanism

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<sup>34</sup>Federal law does not expressly prohibit an individual with unpaid federal taxes from being granted a security clearance; however, delinquent tax debt does pose a potential vulnerability that must be considered in making a broader determination of whether an applicant should be granted a security clearance.

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to provide this information. Also, we continue to suggest that Congress consider giving the Internal Revenue Service the authority to collect the information that SSA needs to administer these offsets. Providing information on the receipt of state and local noncovered pension benefits to SSA could help the agency more accurately and fairly administer the Government Pension Offset and Windfall Elimination Provision and could result in an estimated \$2.4 billion—\$6.5 billion in savings over 10 years if enforced both retrospectively and prospectively. If Social Security enforced the offsets only prospectively, the overall savings still would be significant.

- *Disability and Unemployment Benefits:* In our 2014 annual report, we found that 117,000 individuals received concurrent cash benefit payments in fiscal year 2010 from the Disability Insurance and Unemployment Insurance programs totaling more than \$850 million because current law does not preclude the receipt of overlapping benefits. Individuals may be eligible for benefit payments from both Disability Insurance and Unemployment Insurance due to differences in the eligibility requirements; however, in such cases, the federal government is replacing a portion of lost earnings not once, but twice. The President's Fiscal Year 2016 Budget submission proposes to eliminate these overlapping benefits, and during the 113th Congress, bills had been introduced in both the U.S. House of Representatives and the Senate containing language to reduce Disability Insurance payments to individuals for the months they collect Unemployment Insurance benefits. According to CBO, this action could save \$1.2 billion over 10 years in the Social Security Disability Insurance program. Congress should consider passing legislation to offset Disability Insurance benefit payments for any Unemployment Insurance benefit payments received in the same period.

Table 4 highlights some of our suggested actions within these and other areas that could result in tens of billions of dollars in cost-savings or revenue-enhancement opportunities, according to estimates from GAO, executive branch agencies, the Congressional Budget Office, or the Joint Committee on Taxation.

**Table 4: Selected Areas with Associated Cost-Savings and Revenue-Enhancement Opportunities Identified in GAO's 2011-2014 Annual Reports**

Annual report	Areas identified
<b>Defense and contracting</b>	
2011	<b>Tactical Wheeled Vehicles</b> (Area 6): A department-wide acquisition strategy could reduce the Department of Defense's (DOD) risk of costly duplication in purchasing Tactical Wheeled Vehicles. Reducing the number of joint light tactical vehicles DOD procures could result in <b>billions of dollars</b> in cost savings.
2011	<b>Weapon Systems Acquisition Programs</b> (Area 38): Employing best management practices could help DOD achieve significant cost savings on the <b>\$1.4 trillion</b> (fiscal year 2015 dollars) it expects to invest in the development and procurement of its portfolio of 78 major defense acquisition programs.
2014	<b>Combatant Command Headquarters Costs</b> (Area 12): If the department applied the 20 percent reduction in management headquarters spending to the \$1.7 billion DOD used to operate and support the five geographic combatant commands in fiscal year 2012, DOD could potentially achieve up to an estimated <b>\$340 million in annual savings</b> .
2013	<b>Agencies' Use of Strategic Sourcing</b> (Area 23): Selected agencies could better leverage their buying power and achieve additional savings by directing more procurement spending to existing strategically sourced contracts and further expanding strategic sourcing practices to their highest-spending procurement categories—savings of 1 percent from selected agencies' procurement spending alone would equate to over <b>\$4 billion</b> .
2013	<b>Joint Basing</b> (Area 20): A plan to achieve the efficiencies and cost savings envisioned from joint bases, coupled with a reevaluation of associated goals and guidance, could lead to greater consolidation of installation services at joint bases and better position DOD to achieve its identified goals.
2012	<b>Military Health Care Costs</b> (Area 36): To help achieve significant projected cost savings and other performance goals, DOD needs to complete, implement, and monitor detailed plans for each of its approved health care initiatives.
2011	<b>Military Personnel Costs</b> (Area 37): A total compensation approach would be needed to manage military personnel costs—which grew 31 percent from fiscal year 2001 to fiscal year 2014.
<b>Information technology</b>	
2014	<b>Information Technology Investment Portfolio Management</b> (Area 24): The Office of Management and Budget and multiple agencies could help the federal government realize <b>billions of dollars</b> in savings by taking steps to better implement PortfolioStat, a process to help agencies manage their information technology (IT) investments.
2011	<b>Federal Data Centers</b> (Area 15): Consolidating federal data centers would provide an opportunity to improve government efficiency and achieve cost savings and avoidances of <b>about \$5.3 billion</b> by fiscal year 2017.
2013	<b>Information Technology Operations and Maintenance</b> (Area 30): Strengthening oversight of key federal agencies' major IT investments in operations and maintenance would provide an opportunity for <b>savings on billions</b> in IT investments.
2011	<b>Enterprise Architecture</b> (Area 14): Well-defined and implemented enterprise architectures in federal agencies can lead to consolidation and reuse of shared services and elimination of antiquated and redundant mission operations, which can result in significant cost savings. For example, the Department of the Interior demonstrated that it had used enterprise architecture to modernize agency IT operations and avoid costs through enterprise software license agreements and hardware procurement consolidation, resulting in financial savings of <b>at least \$80 million</b> . In addition, the Department of Health and Human Services (HHS) will achieve savings and cost avoidance of <b>over \$150 million</b> during fiscal years 2011-2015 by leveraging its enterprise architecture to improve its telecommunications infrastructure.

Annual report	Areas identified
<b>Energy and agriculture</b>	
2011	<b>Oil and Gas Resources</b> (Area 45): Improved management of federal oil and gas resources could result in approximately <b>\$2 billion in additional revenue over 10 years</b> .
2014	<b>Advanced Technology Vehicles Manufacturing Loan Program</b> (Area 13): Unless the Department of Energy can demonstrate demand for new Advanced Technology Vehicles Manufacturing loans and viable applications, Congress may wish to consider rescinding all or part of the remaining <b>\$4.2 billion</b> in credit subsidy appropriations.
2013	<b>Crop Insurance</b> (Area 19): To achieve <b>up to nearly \$2 billion per year in cost savings</b> in the crop insurance program, Congress could consider limiting the subsidy for premiums that are provided on behalf of individual farmers, reducing the subsidy, or some combination of limiting and reducing these subsidies.
<b>Health care</b>	
2014	<b>Medicaid Demonstration Waivers</b> (Area 21): Federal spending on Medicaid demonstrations could be reduced if HHS were required to improve the process for reviewing, approving, and making transparent the basis for spending limits approved for Medicaid demonstrations. We estimated the federal share of savings could have been <b>up to \$21 billion over 5 years</b> for two states' recent demonstrations that we reviewed.
2012	<b>Medicare and Medicaid Fraud Detection Systems</b> (Area 46): The Centers for Medicare & Medicaid Services would need to ensure widespread use of its fraud detection systems to better position itself to determine and measure progress toward achieving the <b>\$21 billion</b> in financial benefits that the agency projected as a result of implementing these systems.
<b>Taxes and fees</b>	
2014	<b>Collection of Unpaid Federal Taxes</b> (Area 15): The federal government could increase tax revenue collections by <b>\$500 million over a 5-year time period</b> , according to a 2012 Congressional Budget Office estimate, by identifying and, if congressionally authorized, taking actions to limit issuance of passports to applicants with unpaid federal taxes.
2013	<b>Tobacco Taxes</b> (Area 31): Federal revenue losses ranged from as much as <b>\$615 million to \$1.1 billion between April 2009 and 2011</b> because manufacturers and consumers substituted higher-taxed smoking tobacco products with similar lower-taxed products. To address future revenue losses, Congress should consider modifying tobacco tax rates to eliminate significant tax differentials between similar products.
2011	<b>Simple Tax Return Errors</b> (Area 56): Congress could grant the Internal Revenue Service (IRS) broader authority, with appropriate safeguards against misuse of that authority, to correct math errors during tax return processing. In March 2015, the Joint Committee on Taxation estimated that this change could result in <b>\$166 million in savings</b> over 10 years, similar to last year's scoring.
2013	<b>Agricultural Quarantine Inspection Fees</b> (Area 18): The United States Department of Agriculture's Animal and Plant Health Inspection Service could have achieved as much as <b>\$325 million in savings</b> (based on fiscal year 2011 data, as reported) by more fully aligning fees with program costs; although the savings would be recurring, the amount would depend on the cost-collections gap in a given fiscal year and would result in a reduced reliance on U.S. Customs and Border Protection's annual Salaries and Expenses appropriations used for agricultural inspection services.
2012	<b>Immigration Inspection Fee</b> (Area 49): The user fee for immigration inspection of air and sea passengers should be reviewed and adjusted to fully recover the cost of the air and sea passenger immigration inspection activities conducted by the Department of Homeland Security's U.S. Immigration and Customs Enforcement and U.S. Customs and Border Protection rather than relying on general fund appropriations; in 2012 this could have resulted in reduced reliance on general fund appropriations used for inspection services by <b>about \$175 million</b> .

Annual report	Areas identified
<b>Homeland security</b>	
2012	<b>Domestic Disaster Assistance</b> (Area 51): The Federal Emergency Management Agency (FEMA) could reduce the costs to the federal government related to major disasters declared by the President by updating the principal indicator on which disaster funding decisions are based and better measuring a state's capacity to respond without federal assistance. For fiscal years 2004 through 2011, had FEMA adjusted the indicator for increases in inflation or personal income since 1986, fewer jurisdictions would have met the primary criterion FEMA uses to determine whether to recommend that the President declare a major disaster, which could have reduced federal cost by <b>as much as \$3.59 billion</b> .
2013	<b>Checked Baggage Screening</b> (Area 28): By reviewing the appropriateness of the federal cost share the Transportation Security Administration (TSA) applies to agreements that finance modification projects related to the installation of checked baggage screening systems at airport facilities, TSA could, if a reduced cost share were deemed appropriate, achieve cost efficiencies and be positioned to install a greater number of optimal baggage screening systems than currently anticipated. According to TSA, as of March 2015, its data show that lowering the cost share from 90 percent to 75 percent could result in <b>roughly \$140 million in cost efficiencies</b> during the fiscal year 2015 to 2030 time frame. <sup>9</sup>
<b>Income security</b>	
2011	<b>Social Security Offsets</b> (Area 80): Social Security needs data on pensions from noncovered earnings to better enforce offsets and ensure benefit fairness, estimated to result in <b>\$2.4 billion to \$6.5 billion savings over 10 years</b> if enforced both retrospectively and prospectively. If Social Security only enforced the offsets prospectively, the overall savings would be less as it would not reduce benefits already received.
2014	<b>Disability and Unemployment Benefits</b> (Area 8): Congress should consider passing legislation to prevent individuals from collecting both full Disability Insurance benefits and Unemployment Insurance benefits that cover the same period, which could save <b>\$1.2 billion over 10 years</b> in the Social Security Disability Insurance program according to the Congressional Budget Office.
2014	<b>Veterans' and Survivors' Benefits</b> (Area 23): The Department of Veterans Affairs' direct spending could be reduced—by an average of <b>about \$4 million annually</b> , according to the Congressional Budget Office—if new statutory provisions were enacted, namely, a look-back review and penalty period for claimants who transfer assets for less than fair market value before applying for pension benefits that are available to low-income wartime veterans who are at least 65 years old or have disabilities unrelated to their military service.

Source: GAO | GAO-15-522T

Note: The estimates in this table are from a range of sources, including GAO, executive branch agencies, the Congressional Budget Office, or the Joint Committee on Taxation.

<sup>9</sup>We reported in 2013 that reducing the portion of costs that TSA pays for facility modifications associated with the installation of optimal baggage screening systems, from 90 percent to 75 percent, would lower the federal government's cost for airport modification projects it supports by roughly \$300 million from fiscal year 2012 through fiscal year 2030. However, according to TSA, since 2012, many assumptions and cost estimates for airport modification have changed. Specifically, TSA explained that as of March 2015, the data show that lowering the cost share from 90 percent to 75 percent would result in cost efficiencies of roughly \$140 million during the fiscal year 2015 to 2030 time frame. TSA stated that this variance in estimates is driven by the fact that cost savings for 2012 through 2015 can no longer be realized and many assumptions and definitions of related data elements have changed.

**Existing and New  
Tools Can Assist in  
Identifying,  
Evaluating, and  
Addressing  
Fragmentation,  
Overlap, or  
Duplication**

Addressing fragmentation, overlap, and duplication within the federal government is challenging. Even with sustained leadership, these are difficult issues to address because they may require agencies and Congress to re-examine (within and across various mission areas) the fundamental structure, operation, funding, and performance of a number of long-standing federal programs or activities with entrenched constituencies. As we have previously reported, these challenges are compounded by a lack of reliable budget and performance information. If fully and effectively implemented, the GPRA Modernization Act of 2010 (GPRAMA) and the Digital Accountability and Transparency Act of 2014 (DATA Act) hold promise for helping to improve performance and budget information and helping to address challenges in identifying and addressing areas of fragmentation, overlap, and duplication.<sup>35</sup>

- GPRAMA establishes a framework aimed at taking a more crosscutting and integrated approach to focusing on results and improving government performance. Effective implementation of GPRAMA could help clarify desired outcomes, address program performance spanning multiple organizations, and facilitate future actions to reduce, eliminate, or better manage fragmentation, overlap, and duplication.<sup>36</sup>
- The DATA Act requires actions that would help make spending data comparable across programs, allowing executive branch agencies and Congress to accurately measure the costs and magnitude of federal investments. As we have previously reported, better data and

<sup>35</sup>Pub. L. No. 111-352, 124 Stat. 3866 (2011) (GPRAMA); Pub. L. No. 113-101, 128 Stat. 1146 (2014) (DATA Act).

<sup>36</sup>For GAO's most recent work on GPRAMA, see GAO, *Government Efficiency and Effectiveness: Inconsistent Definitions and Information Limit the Usefulness of Federal Program Inventories*, GAO-15-83 (Washington D.C.: Oct. 31, 2014); *Managing for Results: Selected Agencies Need to Take Additional Efforts to Improve Customer Service*, GAO-15-84 (Washington D.C.: Oct. 24, 2014); and *Managing for Results: Agencies' Trends in the Use of Performance Information to Make Decisions*, GAO-14-747 (Washington D.C.: Sept. 26, 2014). In addition, information on GAO's work on GPRAMA can be found at [http://www.gao.gov/key\\_issues/managing\\_for\\_results\\_in\\_government/issue\\_summary](http://www.gao.gov/key_issues/managing_for_results_in_government/issue_summary).



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a greater focus on expenditures and outcomes are essential to improving the efficiency and effectiveness of federal efforts.<sup>37</sup>

To help analysts and decision makers better assess the extent of fragmentation, overlap and duplication, GAO has developed an evaluation and management guide (GAO-15-49SP), which is being released concurrently with our 2015 annual report.<sup>38</sup> The guide includes two parts. Part one provides four steps for analysts—including federal, state, and local auditors; congressional staff; and researchers—to identify and evaluate instances of fragmentation, overlap or duplication. Each step includes examples that illustrate how to implement suggested actions or consider different types of information. Part two provides guidance to help policymakers reduce or better manage fragmentation, overlap, and duplication.

In recognition that the pervasiveness of fragmentation, overlap, and duplication may require attention beyond the program level, the guide also includes information on a number of options Congress and the executive branch may consider to address these issues government-wide. Some of these options are executive branch reorganization, special temporary commissions, interagency groups, automatic sunset provisions, and portfolio or performance-based budgeting. These options can be used independently or together to assist policymakers in evaluating and addressing fragmentation, overlap, and duplication beyond the programmatic level.

Congress can also use its power of the purse and oversight powers to incentivize executive branch agencies to act on our suggested actions and monitor their progress. In particular, the Senate Budget Resolution for fiscal year 2016<sup>39</sup> directs committees to review programs and tax expenditures within their jurisdiction for waste, fraud, abuse, or duplication and to consider the findings from our past annual reports. Also, the accompanying report for the House Budget Resolution for fiscal year 2016<sup>40</sup> proposes that the Department of Justice (DOJ) streamline

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<sup>37</sup>See GAO, *Federal Data Transparency: Effective Implementation of the DATA Act Would Help Address Government-wide Management Challenges and Improve Oversight*, GAO-15-241T (Washington, D.C.: Dec. 3, 2014).

<sup>38</sup>GAO-15-49SP.

<sup>39</sup>S. Con. Res. 11, 114th Cong. (2015).

<sup>40</sup>H.R. Rep. No. 114-47 (2015).

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grants into three categories—first responder, law enforcement, and victims—which is consistent with our prior work recommending that DOJ better target its grant resources. The resolution also highlights a number of the issues presented in our annual reports (including the multiple programs that support Science, Technology, Engineering, and Mathematics education, housing assistance, homeland security preparedness grants, and green building initiatives); notes the number of programs that will need to be reauthorized in fiscal year 2016; and states that our findings should result in programmatic changes in both authorizing statutes and program funding levels. Congressional use of our findings in its decision making for the identified areas of fragmentation, overlap, and duplication will send an unmistakable message to agencies that Congress considers these issues a priority. Through its budget, appropriations, and oversight processes, Congress can also shift the burden to the agencies to demonstrate the effectiveness of their programs to justify continued funding.

We will continue to conduct further analysis to look for additional or emerging instances of fragmentation, overlap, and duplication and opportunities for cost savings or revenue enhancement. Likewise, we will continue to monitor developments in the areas we have already identified in this series. We stand ready to assist this and other committees in further analyzing the issues we have identified and evaluating potential solutions.

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Chairman Johnson, Ranking Member Carper, and Members of the Committee, this concludes my prepared statement. I would be pleased to answer questions.

Post-Hearing Questions for the Record  
Submitted to The Honorable Gene Dodaro  
From Senator John McCain

“Reducing Unnecessary Duplication in Federal Programs: Billions More Could Be Saved”

April 14, 2015

**DOD Headquarters Management Costs**

GAO has issued multiple reports on the size and costs of management functions within the Department of Defense (DOD). This issue is highlighted once again in the duplication report being released today. In this series of reports, GAO has consistently recommended that DOD conduct a comprehensive review to identify the number of people it needs today to perform these management functions, which DOD has not yet done. In 2013, then Secretary of Defense Hagel directed a 20 percent reduction in headquarters management costs, including civilian positions, contractor support, and associated support costs by 2019, an effort intended to save more than \$5 billion.

1. **Does DOD have an accurate baseline of the numbers and costs associated with management headquarters functions to measure progress in achieving the 20 percent reductions?**

No, DOD does not have an accurate baseline of the numbers and costs of military and civilian personnel and contractor support associated with management headquarters functions. In 2014, we found that the department did not have a clear or accurate accounting of the resources being devoted to management headquarters to use as a starting point to track reductions.<sup>1</sup> Officials noted that DOD relied on data self-reported by the commands, data which we found to be potentially inconsistent and which did not include the totality of headquarters resources. We also found that DOD's attempts to identify contractor full-time equivalents, including those supporting management headquarters functions, have been inaccurate and are based on estimates. For example, we noted that the availability of data on contractor full-time equivalents varied across the combatant commands, and thus trends in full-time equivalents were not identifiable. Without an accurate baseline, it will be difficult for DOD and others to assess progress in achieving the 20 percent reductions.

2. **Does the department have a sufficient plan in place today to achieve the 20 percent reductions?**

On May 14, 2015, DOD issued a report that it characterizes as a plan for streamlining management headquarters, which includes the 20 percent reductions in headquarters activities. We have not had the opportunity to assess whether it is a sufficient plan for achieving the 20 percent reductions. We will be looking at this report as part of our ongoing review of DOD headquarters functions, which is being done in response to provisions in committee reports from the House and Senate Armed Services Committees.

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<sup>1</sup>GAO, *Defense Headquarters: DOD Needs to Reevaluate Its Approach for Managing Resources Devoted to the Functional Combatant Commands*, GAO-14-439 (Washington, D.C.: June 26, 2014).

**3. What problems have you seen with past efforts to reduce management overhead within DOD, and what lessons should we learn from them?**

Accounting for and reducing management headquarters has been a long-standing challenge for DOD. One part of the challenge has been determining which organizations and personnel are included in management headquarters. For example, in October 1997, in the wake of the mid-1990s military drawdown, we found that total personnel and costs of defense headquarters were significantly higher than were being reported.<sup>2</sup> At the time, about three-fourths of subordinate organizations excluded from the management headquarters accounting were actually performing management or management support functions and that such accounting masked the true size of DOD's headquarters organizations. In the past, we also reported that efforts to reduce headquarters personnel in the Office of the Secretary of Defense (OSD) and military department headquarters were achieved primarily through transfers of functions and personnel to other organizations.<sup>3</sup> More recently, in 2014, we found that DOD's directed reductions to headquarters did not include all resources at the commands, which may affect DOD's ability to achieve significant savings in headquarters operations.<sup>4</sup>

To address some of these challenges, we recommended in 2012 that the Secretary of Defense revise DOD's Instruction that defines and identifies major DOD headquarters activities and organizations, but, as of May 2015, the instruction has not been updated as we recommended.<sup>5</sup> Until DOD establishes a clearly defined and consistently applied starting point on which to base reductions, the department will be unable to track and reliably report savings from any headquarters reductions and ultimately may not realize significant savings.

Another part of the challenge relates to determining the personnel requirements for DOD headquarters organizations. In January 2015, we found that OSD, the Joint Staff, and the military services' secretariats and staff have not determined their personnel requirements as part of a systematic requirements-determination process.<sup>6</sup> Instead, these organizations used authorized personnel levels from the previous year as a baseline from which to generate any new requirements, and these personnel levels are ultimately based not on a workforce analysis but on the statutory limits that were

<sup>2</sup>GAO, *Defense Headquarters: Total Personnel and Costs Are Significantly Higher Than Reported to Congress*, GAO/NSIAD-98-25 (Washington, D.C.: Oct. 30, 1997).

<sup>3</sup>GAO, *Staffing Data for Department of Defense Top Management Headquarters Organizations*, GAO/FPCD-83-29 (Washington, D.C.: May 6, 1983); *Defense Headquarters Staff Reductions: An Overview*, GAO/FPCD-78-72 (Washington, D.C.: Oct. 2, 1978); and *Highlights of a Report on Staffing and Organization of Top-Management Headquarters in the Department of Defense*, GAO/FPCD-76-35A (Washington, D.C.: July 6, 1976).

<sup>4</sup>GAO, *Defense Headquarters: DOD Needs to Reevaluate Its Approach for Managing Resources Devoted to the Functional Combatant Commands*, GAO-14-439 (Washington, D.C.: Jun. 26, 2014).

<sup>5</sup>GAO, *Defense Headquarters: Further Efforts to Examine Resource Needs and Improve Data Could Provide Additional Opportunities for Cost Savings*, GAO-12-345 (Washington, D.C.: Mar. 21, 2012).

<sup>6</sup>GAO, *Defense Headquarters: DOD Needs to Reassess Personnel Requirements for the Office of Secretary of Defense, Joint Staff, and Military Service Secretariats*, GAO-15-10 (Washington, D.C.: Jan. 21, 2015).

established by Congress in the 1980s and 1990s. Without periodic reassessment of personnel requirements for the total force, it will be difficult for these headquarters organizations to be well positioned to effectively identify opportunities for efficiencies and limit personnel growth.

Therefore, we recommended that DOD (1) conduct a systematic determination of personnel requirements for OSD, the Joint Staff, and the military services' secretariats and staff; (2) submit these personnel requirements to Congress, including information on the number of personnel that count against the statutory limits, any applicable adjustments to the statutory limits, and any recommendations needed to modify the existing statutory limits; and (3) establish and implement procedures to conduct periodic reassessments of personnel requirements within OSD and the military services' secretariats and staffs. DOD partially concurred with our recommendations, stating it will continue to use its existing processes but will also investigate other methods to improve the determination and reporting of personnel requirements. However, we believe our original recommendations remain valid.

**4. Given DOD's failure to produce its own plan to achieve the 20 percent reduction, and its failure to implement GAO's recommendations to fully review its manpower requirements, what actions would you recommend the Congress take at this point?**

In January 2015, we proposed a matter for congressional consideration, suggesting that Congress consider reexamining the statutory limits for OSD and the military services' secretariats and staffs, basing any such reexamination on the results of a DOD review of headquarters personnel requirements.<sup>7</sup> Such an examination could consider whether supporting organizations that perform headquarters functions should be included in statutory limits and whether the statutes on personnel limitations within the military services' secretariats and staffs should be amended to include a prohibition on reassigning headquarters-related functions elsewhere. We also support efforts by Congress to support implementation of our recommendations for DOD to improve its personnel requirements determinations process, as discussed above.

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<sup>7</sup>GAO-15-10.

Post-Hearing Questions for the Record  
Submitted to The Honorable Gene Dodaro  
From Senator John McCain

**“Reducing Unnecessary Duplication in Federal Programs: Billions More Could Be Saved”  
April 14, 2015**

**Improper Payments under TRICARE**

- 1. In your view, how much additional money could TRICARE recoup, for the American taxpayer, from improper claims payments to civilian health care facilities if it would adopt Medicare’s methodology to identify improper payments?**

In our recent report on opportunities to reduce fragmentation, overlap, and duplication<sup>8</sup>, which included a section on TRICARE improper payments,<sup>9</sup> we reported that if TRICARE had an error rate similar to that of Medicare—10.1 percent—measuring TRICARE improper payments in the more comprehensive approach used by Medicare could result in roughly \$2 billion in estimated TRICARE improper payments. However, we did not quantify the additional amount of these payments that TRICARE could recoup. Because improper payment dollar amount estimates are based on samples of claims, and include both overpayments and underpayments, the Department of Defense (DOD) could not recoup the full \$2 billion, though they could recoup some of the amount directly attributable to overpayments identified in the sample of claims. DOD would likely experience larger savings by identifying root causes of errors identified in the sample of claims and targeting corrective actions to avoid these types of errors in the future. For example, after finding that durable medical equipment suppliers contributed substantially to insufficient documentation errors in Medicare, the Centers for Medicare & Medicaid Services (CMS) began a prior authorization demonstration in 7 states—later increased to 19 states—to reduce improper payments for power mobility devices. Monthly spending for power mobility devices in the seven original demonstration sites decreased from around \$12 million when the demonstration started in September 2012 to \$3 million in June 2014. Furthermore, CMS observed similar decreases in billing for power mobility devices in non-demonstration states, which the agency attributed, in part, to national suppliers changing their behavior in non-demonstration states to comport with the requirements implemented in demonstration states. Similar projects by DOD to address the root causes of errors would allow DOD to avoid having to recoup the improper payments and instead prevent them from happening in the first place.

- 2. In your opinion, how much time should it take for TRICARE to revise its methodology for identifying improper claims payments?**

The amount of time it would take the Department of Defense (DOD) to revise its methodology for identifying TRICARE improper claims payments would depend on how a new methodology is implemented. As we state in the report, DOD already conducts some audits that include reviews

<sup>8</sup>See GAO, *2015 Annual Report: Additional Opportunities to Reduce Fragmentation, Overlap, and Duplication and Achieve Other Financial Benefits*, GAO-15-404SP (Washington, D.C.: April 14, 2015).

<sup>9</sup>See GAO, *Improper Payments: TRICARE Measurement and Reduction Efforts Could Benefit from Adopting Medical Record Review*, GAO-15-269 (Washington, D.C.: Feb. 18, 2015).

of medical documentation. Our report did not examine the extent to which those existing audits could be modified or expanded to be used in the calculation of the improper payment rate. If DOD were to implement a completely new program, the agency would likely need to negotiate changes to its contracts with its purchased care contractors and its claims review contractor, or wait until new contracts can be awarded. Additionally, in order to avoid changing methodologies within a reporting period, DOD would likely want to implement the new methodology at the start of a review of a new fiscal year's claims. In its comments on the report, DOD did not specify how long it would take the agency to implement a new improper payment rate methodology, but did note it would require time to conduct in-depth discussions with agency components, develop an enterprise-wide implementation plan, and hire or contract for the workforce to conduct the new reviews. GAO will conduct regular recommendation follow up on these issues to ensure timely implementation and can keep Congress informed on the agencies' progress.

**Post-Hearing Questions for the Record  
Submitted to The Honorable Gene Dodaro  
From Senator John McCain**

**“Reducing Unnecessary Duplication in Federal Programs: Billions More Could Be Saved”**

**April 14, 2015**

**Ground Radar and Guided Munitions Programs**

The DoD and military services spend over \$150B each year on the development and procurement of weapons and other defense systems to fulfill their roles and missions. Acquisition of ground based radars are part of this effort. These ground-based sensors are used to conduct air surveillance, air defense and counterfire target acquisition. The USAF has the Three-Dimensional Expeditionary Long-Range RADAR, the USMC has the “GATOR” and the ARMY the AN/TPQ-53 - All these program have their own procurement cost.

**1. Why do we have three separate procurements for ground-based RADARs?**

The Army, Air Force, and Marine Corps pursued three separate ground radar acquisition programs for several reasons: other programs did not fully meet their performance requirements; the timelines for other programs did not align with their needs; and they made different decisions on whether to pursue multi-role or single role radars. More specifically:

- The Air Force and the Marine Corps pursued separate air surveillance and air defense ground radar programs, the Three-Dimensional Expeditionary Long-Range Radar (3DELRR) and Ground/Air Task Oriented Radar (G/ATOR), respectively, because the services had some unique requirements and the Joint Requirements Oversight Council (JROC) ultimately determined that any redundancy between requirements was necessary.
- The Army and the Marine Corps pursued separate counterfire target acquisition ground radar programs because the services had some unique requirements, and different acquisition approaches and time frames. For example, the Army currently has a strategy of buying the AN/TPQ-53 for its counterfire target acquisition role and upgrading other radars for air defense and air surveillance roles as needed. The Marine Corps, on the other hand, is developing G/ATOR as a multi-role and potentially a multi-mission radar, which will perform air defense, air surveillance, and counterfire acquisition roles.

Most of the decisions about requirements and acquisition approach that led to having three separate radar programs were made by the military services.

**2. Is this the best way to spend limited defense dollars?**

In general, DOD could do a better job maximizing the return on its weapon system acquisition dollars. While some investments with overlapping or duplicative capabilities may provide necessary redundancy for military operations, in other cases, they are



driven by the military services generating unique system requirements that meet similar needs, their authority to independently make resource allocation decisions, and the timing of acquisition programs. The 3DELRR program appears to be a case where the Air Force was focused on what made its requirements unique, instead of looking for ways to leverage the Marine Corps' development program for G/ATOR, which may have been a more efficient use of limited defense dollars.

**3. What steps have GAO recommended the department take to reduce overlap and duplication within the ground-based Radar programs?**

DOD currently relies on its requirements and acquisition processes and decision makers to ensure that capabilities and programs are not unnecessarily redundant or duplicative. However, its experiences with ground radar programs suggest ways to make these processes more effective in the future. For example, DOD may have missed an opportunity to review whether the capabilities of the Army's AN/TPQ-53 Counterfire Radar and the Marine Corps' G/ATOR Block II were unnecessarily redundant or duplicative because the requirements document for the AN/TPQ-53 was validated by the Army, rather than the JROC, which has a broader perspective on DOD's capability needs. We recommended that the Vice Chairman of the Joint Chiefs of Staff direct the Joint Staff assign all new ground radar capability requirement documents with a Joint Staff designation of "JROC Interest."<sup>10</sup> This designation would provide the JROC the opportunity to review all ground radar programs for potential duplication and the Office of Cost Assessment and Program Evaluation (CAPE) with the opportunity to develop broad guidance for an analysis of alternatives, which requires the military services to assess potential materiel solutions, including existing and planned programs, which could satisfy capability requirements.

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<sup>10</sup>GAO, *Ground Radar and Guided Munitions: Increased Oversight and Cooperation Can Help Avoid Duplication Among Services' Programs*, GAO-15-103 (Washington, D.C.: Dec. 19, 2014).

Post-Hearing Questions for the Record  
Submitted to The Honorable Eugene Dodaro  
From Senator Thomas R. Carper

**“Reducing Unnecessary Duplication in Federal Programs: Billions More Could Be Saved”**

April 14, 2015

1. GAO has examined a number of challenges facing the Internal Revenue Service (IRS) over the past year, which, if addressed effectively by Congress and the Administration, could save substantial taxpayer dollars and improve service to the American people. On Wednesday, April 15<sup>th</sup>, this Committee held a hearing titled “IRS Challenges in Implementing the Affordable Care Act” where the Honorable John Koskinen, Commissioner of the IRS, shared recommendations for Congressional action which would help the agency execute its mission more efficiently. Many of these suggestions coincided with GAO recommendations described in the Duplication report and in your testimony. What actions can Congress and the Administration take immediately, in the short term, and in the long term to improve program administration at the IRS?

As summarized below, we have over a dozen open matters to Congress and 176 open recommendations to the Internal Revenue Service (IRS) that, if effectively implemented, would improve program administration and yield financial benefits. Immediate action by Congress and the administration to implement these matters and recommendations would help address the array of compliance and enforcement challenges IRS faces. Given that individual income tax misreporting accounts for the largest portion of the tax gap, even small changes in IRS's enforcement programs could result in billions of dollars of increased revenue.

**Priority Open Matters for Congress to Consider**

The following list describes challenges IRS faces related to thwarting identity theft refund fraud, reducing improper payments, improving taxpayer compliance, and bridging the tax gap, as well as immediate actions Congress can take to address those challenges and the benefits associated with suggested legislative actions.

***Expanding E-Filing Mandates***

In 2014, we raised the following matters for congressional consideration that, if effectively implemented, may result in more accurate and complete digitized data becoming available in a timelier manner.

- **Partnerships and S corporations.** Congress should consider expanding the e-filing mandate to cover a greater share of partnerships' and corporations' filed returns.<sup>11</sup> The President's 2016 budget would require all corporations and partnerships with \$10 million

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<sup>11</sup>GAO, *Partnerships and S Corporations: IRS Needs to Improve Information to Address Tax Noncompliance*, GAO-14-453, (Washington, D.C.: May 14, 2014).

or more in assets to file their tax returns electronically. In addition, regardless of asset size, corporations with more than 10 shareholders and partnerships with more than 10 partners would be required to file their tax returns electronically. Preparers that expect to prepare more than 10 corporation income tax returns or partnership returns would be required to file these returns electronically. The budget also proposes reducing the 250-return threshold to allow the Department of Treasury (Treasury) expanded authority to require e-filing in the case of information returns. Improved examination selection based on more current information could generate more revenue and could reduce IRS examinations of compliant taxpayers.

- **Tax-exempt organizations.** Congress should consider expanding the mandate for 501(c)(3) organizations to electronically file their tax returns to cover a greater share of filed returns.<sup>12</sup> The President's 2016 budget would require all tax-exempt organizations that must file Form 990 series returns, including the Form 990-T (or Forms 8872), to file them electronically. Expanded e-filing may result in more accurate and complete data becoming available in a timelier manner; in turn, this would allow IRS to more easily identify areas of noncompliance. This legislative reform would also be useful to state and local regulators, charity watch-dog groups, charitable beneficiaries, and the press as a strategy for improving transparency and accountability.
- **Employers filing forms W-2.** Congress should consider providing the Secretary of the Treasury with the regulatory authority to lower the threshold for e-filing of W-2s from 250 returns annually to between 5 to 10 returns, as appropriate.<sup>13</sup> Reducing the e-file threshold would allow IRS to obtain timely, accurate data from a significant number of employers and would enhance the benefits IRS could obtain from the accelerated W-2 deadline and pre-refund W-2 matching. Lowering the e-file threshold could also reduce administrative costs for the Social Security Administration (SSA) by an estimated \$0.50 per e-filed W-2. Without this change, some employers' paper W-2s could not be available for IRS matching until much later in the year, due to the additional time needed to process paper forms.

### ***Reducing Improper Payments***

We raised the following matters for congressional consideration or executive actions that, if effectively implemented, could help reduce Earned Income Tax Credit (EITC) improper payments.

- **Regulating paid tax preparers.** Establishing requirements for paid tax return preparers could improve the accuracy of the tax returns they prepare. Based in part on our recommendation, IRS initiated steps to regulate certain preparers (through testing and education requirements) in 2010.<sup>14</sup> However, the courts ruled that IRS lacked such

<sup>12</sup>GAO, *Tax-Exempt Organizations: Better Compliance Indicators and Data, and More Collaboration with State Regulators Would Strengthen Oversight of Charitable Organizations*, GAO-15-164 (Washington, D.C.: Dec. 17, 2014).

<sup>13</sup>GAO, *Identity Theft: Additional Actions Could Help IRS Combat the Large, Evolving Threat of Refund Fraud*, GAO-14-633 (Washington, D.C.: Aug. 20, 2014).

<sup>14</sup>GAO, *Paid Tax Return Preparers: In a Limited Study, Preparers Made Significant Errors*, GAO-14-467T (Washington, D.C.: Apr. 8, 2014).

regulatory authority.<sup>15</sup> Although IRS began a voluntary program to recognize preparers who complete continuing education and testing requirements, mandating these requirements could have a greater impact on tax compliance. In 2014, we found significant preparer errors during undercover site visits to 19 randomly selected preparers—a sample which cannot be generalized. Refund errors in the site visits varied from giving the taxpayer \$52 less to \$3,718 more than the correct refund amount. Only 2 of 19 preparers calculated the correct refund amount. These findings are consistent with the results of our analysis of IRS's National Research Program (NRP) database, which found that tax returns prepared by preparers had a higher estimated percent of errors—60 percent—than self-prepared returns—50 percent. We suggested that Congress consider granting IRS the authority to regulate paid tax preparers, if Congress agrees that significant paid preparer errors exist.<sup>16</sup>

- **Accelerating W-2 filing deadlines.** IRS estimates that it paid \$5.8 billion in fraudulent identity theft refunds during the 2013 filing season. While we do not know the extent to which invalid EITC payments are the result of identity theft, IRS has reported that improper payments are a mix of unintentional mistakes and fraud. A common EITC error is misreporting income. IRS issues most refunds months before receiving and matching information returns (such as the W-2 "Wage and Tax Statement") to tax returns. Treasury recently proposed to Congress that the W-2 deadlines be moved to January 31 to facilitate the use of earnings information in the detection of noncompliance. In August 2014, we recommended that IRS estimate the cost and benefits of options to implement pre-refund matching using W-2 data.<sup>17</sup> Because any change could impose burdens on employers and taxpayers, as well as creating additional costs to IRS for systems and process changes, Congress and other stakeholders would need information on the impacts to fully assess any potential changes.
- **Broadening math error authority.** IRS has statutory authority—called math error authority—to correct certain errors (such as calculation mistakes or omitted or inconsistent entries) during tax return processing of EITC claims.<sup>18</sup> According to the Treasury Inspector General for Tax Administration, IRS has math error authority to address some erroneous claims, but additional authority to systematically disallow certain erroneous EITC claims with unsupported wages could reduce improper payments. Treasury has proposed expanding IRS authority to include a new category of "correctable errors" that would permit the Service to correct errors in cases where information provided by the taxpayer, among other things, does not match information in government databases. Expanding such authority—which at various times we have suggested Congress consider—could help IRS correct additional errors and avoid burdensome audits and taxpayer penalties.<sup>19</sup>

<sup>15</sup>*Loving v. IRS*, 917 F. Supp. 2d 67 (D.D.C. 2013), *aff'd* 742 F.3d 1013 (D.C. Cir. 2014).

<sup>16</sup>GAO-14-467T.

<sup>17</sup>GAO-14-633.

<sup>18</sup> 26 U.S.C. § 6213(b), (g)(2).

<sup>19</sup>GAO, *Tax Refunds: Enhanced Prerefund Compliance Checks Could Yield Significant Benefits*, GAO-11-691T (Washington, D.C.: May 25, 2011).

### ***Improving Taxpayer Compliance and Generating Cost Savings***

We raised the following matters for congressional consideration that, if effectively implemented, could help improve taxpayer compliance, bolster enforcement efforts, and generate cost savings.

- **Equalize opportunities for all taxpayers to reap benefits of individual retirement accounts (IRA).** Congress can reorient existing laws to address the excesses of strategies that allow certain individuals to circumvent IRA contribution limits, so that all taxpayers have similar opportunities to reap the benefits of IRAs. For example, in 2014, we suggested Congress could address the build-up of unnecessarily large IRAs in a variety of ways: by limiting the types of investments held in IRAs, enforcing standards such as a minimum required value for investments in an IRA, or by setting a ceiling on accumulations in an IRA and requiring an immediate distribution of balances above that ceiling.<sup>20</sup> Without such a readjustment, the intended broad-based tax benefits of IRAs will continue to be skewed towards a select group of investors.
  
- **Ensure tax compliance of large partnerships.** To improve the tax compliance of large partnerships, Congress should consider several legislative changes.<sup>21</sup> For example, requiring large partnerships to designate a qualified Tax Matters Partner that field auditors can contact is a relatively simple step that could reduce audit delays. Requiring large partnerships to pay any tax due at the entity level would also save resources but would not be a simple change. Such a change would have differing impacts on partners who may be in different tax brackets. The change would save the resources that are now devoted to the paper-driven, labor-intensive process of passing adjustments through to large numbers of partners. Paying taxes due on audit adjustments at the entity level has advantages over other options for audit efficiency gains, such as automating the current paper-driven process. Even if IRS were given resources to modernize its campus information systems, parts of the adjustment pass-through process would continue to require labor-intensive reviews of partnership agreements.
  
- **Improve compliance with shareholder compensation rules.** To address net shareholder compensation underreporting—which results in billions in annual employment tax underpayments—Congress should consider legislative options. For example, in 2009, we suggested Congress could require S corporations to use information already available to them to calculate shareholders' basis as completely as possible and report it to shareholders and IRS.<sup>22</sup> As of January 2015, Congress had not enacted legislation. Because some shareholders do not properly track and report their basis, congressional action requiring S corporations to report basis information to shareholders and IRS could improve compliance with basis rules.

<sup>20</sup>GAO, *Individual Retirement Accounts: IRS Could Bolster Enforcement on Multi-Million Dollar Accounts, but More Direction from Congress Is Needed*, GAO-15-16 (Washington, D.C.: Oct. 20, 2014).

<sup>21</sup>GAO, *Large Partnerships: With Growing Number of Partnerships, IRS Needs to Improve Audit Efficiency*, GAO-14-732 (Washington, D.C.: Sept. 18, 2014).

<sup>22</sup>GAO, *Tax Gap: Actions Needed to Address Noncompliance with S Corporation Tax Rules*, GAO-10-195. (Washington, D.C.: Dec. 15, 2009).

- **Reconsider tax-exempt status of bonds for privately-used facilities.** Congress should consider whether facilities (including hotels and golf courses) that are privately used should be financed with tax-exempt governmental bonds.<sup>23</sup> As of May 2015, no legislative action has been identified. Reconsidering granting tax-exempt status to certain types of bonds could generate additional federal revenue.
- **Deny or revoke passports to individuals who owe federal taxes** In April 2011, we reported that State issued passports to about 16 million individuals during fiscal year 2008; of these, over 224,000 individuals (over 1 percent) collectively owed over \$5.8 billion in unpaid federal taxes as of September 30, 2008. The federal government could save about \$500 million over a 5-year period by revoking or denying passports to those with certain federal tax delinquencies. To increase collection of unpaid taxes, Congress should consider enabling and requiring the Secretary of State to screen and prevent individuals who owe federal taxes from receiving passports, to include establishing criteria for specific categories of passport holders and waivers as appropriate.<sup>24</sup> To do this, Congress may wish to direct the Secretary of State and Commissioner of Internal Revenue to jointly study policy and practical issues and develop options for further consideration, including developing appropriate criteria and safeguards. Such a requirement might enable the Department of State to screen and prevent individuals who owe federal taxes from receiving passports and thus increase tax revenue collections.
- **Strengthen reporting requirements for rental real estate.** To help improve taxpayer compliance, in 2008 we suggested that Congress may wish to make owners of rental real estate subject to the same payment reporting requirements regardless of whether they engaged in a trade or business under current law, but as of May 2015, such legislation had not been introduced in the 114th Congress.<sup>25</sup> In the 112th Congress, Congress enacted the Small Business Jobs Act of 2010, which contained a provision that required, in general, that persons receiving rental income from real estate be considered engaged in a trade or business and therefore subject to the reporting requirements of section 6041 of the Internal Revenue Code, which was consistent with our 2008 matter for congressional consideration.<sup>26</sup> However, Congress repealed the provision on April 14, 2011.<sup>27</sup> Changing reporting requirements and holding taxpayers with rental real estate to the same filing requirements as taxpayers whose activities are considered a trade or business would provide clarity about who is required to file, which would improve tax compliance.

<sup>23</sup>GAO, *Tax Policy: Tax-Exempt Status of Certain Bonds Merits Reconsideration, and Apparent Noncompliance with Issuance Cost Limitations Should Be Addressed*, GAO-08-364 (Washington, D.C.: Feb. 15, 2008).

<sup>24</sup>GAO, *Federal Tax Collection: Potential for Using Passport Issuance to Increase Collection of Unpaid Taxes*, GAO-11-272 (Washington, D.C.: Mar. 10, 2011).

<sup>25</sup>GAO, *Tax Gap: Actions that Could Improve Real Estate Reporting Compliance*, GAO-08-956 (Washington, D.C.: Aug 28, 2008).

<sup>26</sup>Pub. L. No. 111-240, § 2101, 124 Stat. 2504, 2561 (2010).

<sup>27</sup>Comprehensive 1099 Taxpayer Protection and Repayment of Exchange Subsidy Overpayments Act of 2011, Pub. L. No. 112-9, § 3, 125 Stat. 36, 36 (2011).

- **Require payers to report service payments to corporations.** To address 1099-MISC payer noncompliance, Congress may wish to require payers to report service payments to corporations, thereby reducing payers' burden to determine which payments require reporting.<sup>28</sup> On March 23, 2010, Congress enacted section 9006 of the Patient Protection and Affordable Care Act of 2010, which expanded information reporting to include payments made to corporations, consistent with our 2009 matter for congressional consideration.<sup>29</sup> The provision also required reporting of payments for property and gross proceeds. The provision was to be effective for payments after December 31, 2011, requiring payers to report beginning in January 2013 on payments to corporations made in 2012 for property or services. However, Congress repealed the provision on April 14, 2011.<sup>30</sup> As of May 2015, no legislation had been introduced in the 114th Congress to require payers engaged in a trade or business to report on payments to corporations for services. Reporting of third-party information is a powerful compliance tool, and eliminating the reporting exemption for payments to corporations would be a cost effective way to improve voluntary compliance.

#### ***Redesigning Tax Credits to Increase Their Economic Benefits***

We have raised several matters for congressional consideration related to redesigning certain tax credits to increase their economic benefit.

- **New Market Tax Credit.** Congress designed the New Market Tax Credit (NMTC) to promote investment and economic development in low-income communities. Low-income community businesses and residents appear to benefit from projects supported by the NMTC. However, the complexity of NMTC transaction structures appears to make it more difficult for Community Development Entities (CDE) to execute smaller transactions and results in less equity ending up in low-income community businesses than would likely end up in those businesses were the transaction structures simplified. In January 2010, we suggested that Congress should consider offering grants in lieu of credits to CDEs.<sup>31</sup> We also suggested Congress should consider requiring Treasury to gather appropriate data to assess whether and to what extent the grant program increases the amount of federal subsidy provided to low-income community businesses compared to the NMTC; how costs incurred by the Community Development Financial Institutions Fund, CDEs, and investors for administering the program would change; and whether the grant program otherwise affects the success of efforts to assist low-income communities. One option would be for Congress to set aside a portion of funds to be used as grants and a portion to be used as tax credit allocation authority under the current structure of the program to facilitate comparison of the two program structures. The Tax Increase Prevention Act of 2014 extended the NMTC through December 31,

<sup>28</sup>GAO, *Tax Gap: IRS Could Do More to Promote Compliance by Third Parties with Miscellaneous Income Reporting Requirements*, GAO-09-238 (Washington, D.C.: Jan. 28, 2009).

<sup>29</sup>Pub. L. No. 111-148, § 9006, 124 Stat. 119, 855 (2010).

<sup>30</sup>Comprehensive 1099 Taxpayer Protection and Repayment of Exchange Subsidy Overpayments Act of 2011, Pub. L. No. 112-9, § 2, 125 Stat. 36, 36 (2011).

<sup>31</sup>GAO, *New Markets Tax Credit: The Credit Helps Fund a Variety of Projects in Low-Income Communities, but Could be Simplified*, GAO-10-334 (Washington, D.C.: Jan. 29, 2010).

2014.<sup>32</sup> If Congress further extends the credit retroactively as it has in the past, another opportunity exists to offer grants in lieu of credits. In the President's 2016 budget request, the Office of Management and Budget reported the expected 5-year revenue cost to be about \$4 billion. Offering grants in lieu of NMTCs could result in a greater portion of the federal subsidy reaching low-income community businesses.

- **Research tax credits.** The tax credit for qualified research expenses provides significant subsidies to encourage business investment in research intended to foster innovation and promote long-term economic growth. However, there are challenges with the design and administration of the credit. We identified significant disparities in the incentives provided to different taxpayers, with some taxpayers receiving no credit and others eligible for credits up to 13 percent of their incremental spending. In 2009, we suggested that Congress could eliminate the regular credit and add a minimum base amount (equal to 50 percent of a taxpayer's current spending) to the method for computing the alternative simplified credit (ASC). As of January 2015, Congress had not enacted legislation to eliminate the regular computation option for the research tax credit or to add a minimum base to the ASC option, as we suggested in 2009.<sup>33</sup> The Tax Increase Prevention Act of 2014 extended the research tax credit—which historically has been a temporary provision of the tax code designed to encourage business innovation by providing a subsidy to new research—through December 31, 2014.<sup>34</sup> However, neither this act nor other enacted legislation has adopted our suggested change to the research tax credit's design. Continued use of the regular computation credit option, which arbitrarily distributes subsidies across taxpayers, can distort investment decisions so that research spending and economic activity are not allocated to sectors that offer the highest returns to society. These misallocations may reduce economic efficiency and thereby diminish any economic benefits of the credit. The addition of a minimum base for the ASC would reduce the revenue cost of the credit without affecting the average incentive it provides for research.

#### Priority Open Recommendations to IRS

There are currently 176 open recommendations by GAO to IRS.<sup>35</sup> Over the last 5 years, IRS implemented slightly more than half of our recommendations, compared to the government-wide average of around 80 percent. Fully implementing these open recommendations could yield significant improvements in IRS's operations. Among these, we believe IRS should focus on the following high priority recommendations for implementation given the critical role the Service has in financing the federal government, providing taxpayers service to help them understand and meet their tax responsibilities, and enforcing the tax laws with integrity and fairness to all.

<sup>32</sup>Pub. L. No. 113-295, div. A, § 115, 128 Stat. 4010, 4014 (2014).

<sup>33</sup>GAO, *Tax Policy: The Research Tax Credit's Design and Administration Can Be Improved*, GAO-10-136 (Washington, D.C.: Nov. 6, 2009).

<sup>34</sup>Pub. L. No. 113-295, div. A, § 111, 128 Stat. 4010, 4013 (2014).

<sup>35</sup>About 30 percent of GAO's open recommendations pertain to internal control deficiencies identified during our financial statement audits. See GAO, *Management Report: Improvements Are Needed to Enhance Internal Controls at the Internal Revenue Service*, GAO-14-433R (Washington, D.C., July 2, 2014).



- **Develop a long-term strategy for operations amidst uncertain budgets.** IRS should develop a long-term strategy to address operations amidst an uncertain budget environment. As part of the strategy, IRS should take steps to improve its efficiency, including (1) reexamining programs, related processes, and organizational structures to determine whether they are effectively and efficiently achieving the IRS mission, and (2) streamlining or consolidating management or operational processes and functions to make them more cost-effective. IRS agreed with our recommendation and is taking steps to implement it.<sup>36</sup> For example, according to IRS officials a new process was developed for building the fiscal year 2017 budget request, including establishing criteria to score budget initiatives and determining which are IRS-wide priorities.
- **Adjust resource allocation decisions using actual return on investment data.** To better ensure that IRS's limited enforcement resources are allocated in a manner that maximizes the revenue yield of the income tax, subject to other important objectives of tax administration such as minimizing compliance costs and ensuring equitable treatment across different groups of taxpayers, IRS should review disparities in the ratios of direct revenue yield to costs across different enforcement programs and across different groups of cases within programs and determine whether this evidence provides a basis for adjusting IRS's allocation of enforcement resources each year. As part of this review, IRS should develop estimates of marginal direct revenue and marginal direct cost within each enforcement program and for each target group of taxpayers.<sup>37</sup>
- **Develop a quantitative measure of scope for major information technology (IT) investments.** To continue to improve information on program cost and results that could aid in resource decision making, IRS should develop a quantitative measure of scope, at a minimum for its major IT investments, to have complete information on the performance of these investments and until a quantitative measure of scope is developed, qualitatively report on how delivered scope compares to what was planned in its quarterly reports to Congress, for the seven investments for which we reviewed scope reporting in our April 2014 report.<sup>38</sup>
- **Establish a strategy to improve taxpayer service.** IRS should outline a strategy to improve taxpayer service, define appropriate levels of service, and describe how it intends to manage performance declines. More specifically, IRS should systematically and periodically compare its telephone service to the best in business to identify gaps between actual and desired performance. Based on the quality of service provided by comparable organizations and on what matters most to the customer, determine a customer service telephone standard and the resources required to achieve this standard based on input from Congress and other stakeholders.<sup>39</sup>

<sup>36</sup>GAO, *IRS 2015 Budget: Long-Term Strategy and Return on Investment Data Needed to Better Manage Budget Uncertainty and Set Priorities*, GAO-14-605 (Washington, D.C.: June 12, 2014).

<sup>37</sup>GAO, *Tax Gap: IRS Could Significantly Increase Revenues by Better Targeting Enforcement Resources*, GAO-13-151 (Washington, D.C.: Dec. 5, 2012).

<sup>38</sup>GAO, *Information Technology: IRS Needs to Improve the Reliability and Transparency of Reported Investment Information*, GAO-14-298 (Washington, D.C.: Apr. 2 2014).

<sup>39</sup>GAO, *Tax Filing Season: 2014 Performance Highlights the Need to Better Manage Taxpayer Service and Future Risks*, GAO-15-163 (Washington, D.C.: Dec. 16, 2014).

- **Develop a long-term strategy to improve web services.** IRS should develop a long-term strategy to improve web services that (1) provides a justification for the implementation of online self-service tools and includes an assessment of providing online self-service tools that allow taxpayers to access and update elements of their account online; (2) acknowledges the cost and benefits to taxpayers of new online services; (3) sets the time frame for when the online service would be created and available for taxpayer use; and (4) includes a plan to update the strategy periodically.<sup>40</sup>
- **Combat the large, evolving threat of refund fraud.** To successfully combat tax refund fraud associated with identity theft, IRS should, among other things, fully assess the costs and benefits of accelerating W-2 deadlines and provide information to Congress on (1) the IRS systems and work processes that will need to be adjusted to accommodate earlier, pre-refund matching of W-2s and then identify time frames for when these changes could be made; (2) potential impacts on taxpayers, IRS, SSA, and third parties; and (3) what other changes will be needed (such as delaying the start of the filing season or delaying refunds) to ensure IRS can match tax returns to W-2 data before issuing refunds.<sup>41</sup> IRS should also estimate and document the costs, benefits and risks of possible options for taxpayer authentication, in accordance with guidance from the Office of Management and Budget and the National Institute of Standards and Technology.<sup>42</sup>
- **Bolster enforcement efforts for partnerships and S corporations.** To make fully informed, data-based decisions that improve audit efficiency, IRS should among other things track the results of large partnerships audits; analyze audit results to identify opportunities to better plan and use IRS resources in auditing large partnerships; and develop and implement large partnership efforts in line with principles of effective project planning and track the results to identify whether the efforts worked as intended.<sup>43</sup> To better understand the effectiveness of partnership and S corporation tax law enforcement efforts, IRS should (1) develop a strategy to improve its information on the extent and nature of partnership misreporting, and (2) use the information to potentially improve how it selects partnership returns to examine.<sup>44</sup>
- **Clarify desired results of the correspondence audit program.** IRS should clarify the desired results of the correspondence audit program and its linkages to IRS-wide activities by (1) establishing formal program objectives; (2) ensuring that the program measures reflect those objectives; and (3) clearly linking those measures with strategic IRS-wide goals on ensuring compliance in a cost-effective way while minimizing

<sup>40</sup>GAO, *IRS Website: Long-Term Strategy Needed to Improve Interactive Services*, GAO-13-435 (Washington, D.C.: Apr. 16, 2013).

<sup>41</sup>GAO-14-633.

<sup>42</sup>GAO, *Identity Theft and Tax Fraud: Enhanced Authentication Could Combat Refund Fraud, but IRS Lacks an Estimate of Costs, Benefits and Risks*, GAO-15-119 (Washington, D.C.: Jan. 20, 2015).

<sup>43</sup>GAO-14-732.

<sup>44</sup>GAO-14-453.

taxpayer burden. IRS should also track and use other program data that have not been used to provide more complete performance information.<sup>45</sup>

- **Increase transcription from paper-filed returns.** To increase the effectiveness of IRS's examinations of individual tax returns, IRS should transcribe data from paper-filed Form 1040 Schedules C and E that are not currently transcribed and make that data available to SB/SE examiners for classification and make all data collected from electronically submitted Form 1040s available to examiners conducting classification.<sup>46</sup>
- **Enhance enforcement and guidance for home mortgage interest deduction.** To improve compliance with home mortgage deduction limits, IRS should revise Form 1098 to require third parties to provide information on mortgage balances, the address of a home securing a mortgage, and an indicator of whether the mortgage is for a current year refinancing.<sup>47</sup>

#### **Recommendations Related to Duplication, Overlap, and Fragmentation, and Cost Savings**

Finally, for more information on GAO's open recommendations to IRS related to duplication, overlap, fragmentation, and cost savings, see [http://www.gao.gov/duplication/action\\_tracker/all\\_areas](http://www.gao.gov/duplication/action_tracker/all_areas).

<sup>45</sup>GAO, *IRS Correspondence Audits: Better Management Could Improve Tax Compliance and Reduce Taxpayer Burden*, GAO-14-479 (Washington, D.C.: June 5, 2014).

<sup>46</sup>GAO, *Tax Administration: IRS Could Improve Examinations by Adopting Certain Research Program Practices*, GAO-13-480 (Washington, D.C.: May 24, 2013).

<sup>47</sup>GAO, *Home Mortgage Interest Deduction: Despite Challenges Presented by Complex Tax Rules, IRS Could Enhance Enforcement and Guidance*, GAO-09-769 (Washington, D.C.: July 29, 2013).

Post-Hearing Questions for the Record  
Submitted to The Honorable Eugene Dodaro  
From Senator Thomas R. Carper

**“Reducing Unnecessary Duplication in Federal Programs: Billions More Could Be Saved”**

April 14, 2015

- 2. Congress has enacted several pieces of legislation in recent years, which if effectively implemented, could yield significant positive results in reducing or eliminating unnecessary duplication, fragmentation, and overlap in federal programs. What are some of the key actions that Congress should be taking in the next months, and years, ahead to ensure legislation such as the Government Performance and Results Modernization Act of 2010 (GPRAMA), the Digital Accountability and Transparency Act of 2014 (DATA) and Federal Information Technology Acquisition Reform Act (FITARA) are fully implemented?**

Congress and executive branch decision makers need to have reliable, useful, and timely financial and performance information to effectively address the federal government's long-term fiscal, financial management, and performance management challenges. This is especially true for efforts to reduce, eliminate, or manage fragmentation, overlap, and duplication. However, meaningful improvement in financial and performance management—as envisioned by the GPRAMA Modernization Act of 2010 (GPRAMA),<sup>48</sup> the Digital Accountability and Transparency Act of 2014 (DATA Act),<sup>49</sup> and the statutory provisions commonly referred to as the Federal Information Technology Acquisition Reform Act (FITARA)<sup>50</sup>—will not occur without sustained commitment by executive branch leaders and continued oversight by Congress. Congress can play a decisive role in fostering results-oriented cultures in the federal government by using information on agency goals and asking for and using financial and performance information as it carries out its various legislative and oversight responsibilities.

GPRAMA

Realizing the intent of GPRAMA for improving government performance and accountability and reducing, eliminating, or better managing fragmentation, overlap, and duplication requires sustained oversight of implementation. To assist Congress with its oversight of GPRAMA implementation, the statute includes provisions requiring GAO to evaluate its implementation at several critical junctures.<sup>51</sup> To provide timely and useful information, we have issued a number

<sup>48</sup>Pub. L. No. 111-352, 124 Stat. 3866 (Jan. 4, 2011). The acronym “GPRAMA” in the act’s title refers to the Government Performance and Results Act of 1993. Pub. L. No. 103-62, 107 Stat. 285 (Aug. 3, 1993).

<sup>49</sup>Pub. L. No. 113-101, 128 Stat. 1146 (May 9, 2014). The DATA Act amends the Federal Funding Accountability and Transparency Act of 2006, Pub. L. No. 109-282, 120 Stat. 1186 (Sept. 26, 2006).

<sup>50</sup>Carl Levin and Howard P. “Buck” McKeon National Defense Authorization Act for Fiscal Year 2015, Pub. L. No. 113-291, div. A, title VIII, subtitle D, 128 Stat. 3292, 3438-3450 (Dec. 19, 2014).

<sup>51</sup>First, following a period of initial implementation, we were to report by June 2013 on implementation of GPRAMA’s planning and reporting requirements, at both the government-wide and agency levels. Subsequently, following full implementation, we are to evaluate by September 2015 and 2017 whether performance management is being used by federal agencies to improve the efficiency and effectiveness of agency programs. Also in September 2015 and

of reports over the past 4 years reviewing the executive branch's implementation of key provisions of the Act.<sup>52</sup>

Our reports to date have found that the executive branch has taken steps to implement key GPRAMA provisions. However, we have also identified a number of areas where the Office of Management and Budget (OMB) and agencies need to improve implementation, and we have made recommendations accordingly. The majority of these recommendations remain open, and a number of them are focused on fully implementing provisions that could help address crosscutting issues. For example:

- Effective implementation of GPRAMA's federal program inventory requirements could provide congressional and executive branch decision makers with critical program, budget, and performance information that could be used to help address fragmentation, overlap, and duplication. However, our October 2014 report found that the approach used by OMB and agencies had not led to the inventory of all federal programs, along with related budget and performance information, envisioned by GPRAMA.<sup>53</sup> We made eight recommendations to OMB to ensure the effective implementation of federal program inventory requirements and to make the inventories more useful.
- GPRAMA requires OMB and agencies to identify the various organizations, programs, and activities that contribute to cross-agency and agency priority goals (APGs). In addition, the Act requires relevant federal government officials from those contributing organizations and programs to participate in quarterly reviews of progress towards the goals. Together, these requirements could help improve collaboration and identify opportunities to better manage fragmentation, overlap, and duplication. However, our work over the last few years has found that not all relevant contributors have been identified for the goals or included in the reviews, and we made several recommendations to OMB to address these issues.<sup>54</sup>

As with all of our recommendations, we will continue to monitor and report on progress on their implementation.

The findings and recommendations from our work could serve as a starting point for Congress to focus executive branch attention on fully implementing GPRAMA. By drawing attention to these issues through its myriad oversight activities, such as setting oversight agendas, holding hearings, sending letters to agencies, and holding formal and informal meetings with agency officials, Congress could send an unmistakable message to agencies that it considers efforts to

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2017—and every 4 years thereafter—we are to evaluate the implementation of the federal government priority goals and performance plans and related reporting required by GPRAMA. Pub. L. No. 111-352, § 15.

<sup>52</sup>To meet our first statutorily required deadline, we issued a report in June 2013 highlighting the key findings from reports reviewing initial implementation of GPRAMA. See GAO, *Managing For Results: Executive Branch Should More Fully Implement the GPRA Modernization Act to Address Pressing Governance Challenges*, GAO-13-518 (Washington, D.C.: June 26, 2013). We will issue a similar report in September 2015. For a full listing of our reports related to GPRAMA implementation, see the "Key Reports" tab on our Managing for Results key issues page at [www.gao.gov/key\\_issues/managing\\_for\\_results\\_in\\_government](http://www.gao.gov/key_issues/managing_for_results_in_government).

<sup>53</sup>GAO, *Government Efficiency and Effectiveness: Inconsistent Definitions and Information Limit the Usefulness of Federal Program Inventories*, GAO-15-63 (Washington, D.C.: Oct. 31, 2014).

<sup>54</sup>See GAO, *Managing for Results: OMB Should Strengthen Reviews of Cross-Agency Goals*, GAO-14-526 (Washington, D.C.: June 10, 2014); GAO-13-518; *Managing For Results: Agencies Should More Fully Develop Priority Goals under the GPRA Modernization Act*, GAO-13-174 (Washington, D.C.: Apr. 19, 2013); and *Managing for Results: Data-Driven Performance Reviews Show Promise But Agencies Should Explore How to Involve Other Relevant Agencies*, GAO-13-228 (Washington, D.C.: Feb. 27, 2013).

improve the federal government's performance a priority. In addition, Congress can also foster results-oriented cultures in the federal government by using in its decision-making processes the performance information produced by agencies pursuant to GPRAMA. For example, Congress can use agency performance information to inform its various oversight and legislative responsibilities, including when authorizing or reauthorizing federal programs, and other activities; amending the tax code; appropriating funds; and developing budget resolutions. In 2011 and 2012, we issued two products that highlighted several instances in which Congress has used performance information in its decision making to (1) identify issues that the federal government should address, (2) measure progress towards addressing those issues, and (3) identify better strategies to address the issues, when necessary.<sup>55</sup>

For performance information to be useful to executive branch agencies and Congress in making decisions, garnering congressional support on what to measure and how to present this information is critical. Recognizing this, GPRAMA significantly enhances requirements for agencies to consult with Congress.<sup>56</sup> OMB recently accelerated its time frame for the development of the 2016 to 2017 APGs, with agencies expected to provide draft goal statements to OMB on May 15, 2015, and publication set for October 2015. Therefore congressional consultations on these goals, if not already underway, should take place in the near future. In addition to ensuring that it has input on the new APGs, Congress could use these consultations to discuss the status, and emphasize the importance, of GPRAMA implementation at individual agencies. At your request, in June 2012, we developed a guide to assist Members of Congress and their staffs in ensuring the consultations required under GPRAMA are useful to Congress.<sup>57</sup> In addition, we recently developed an evaluation and management guide to help analysts and decision makers, including Congress, better assess the effects of fragmentation, overlap and duplication.<sup>58</sup> This guide highlights a number of ways the tools put into place by GPRAMA could be used to help identify, reduce, eliminate, or better manage fragmentation, overlap, and duplication.

#### DATA Act

Our work examining fragmentation, overlap, and duplication in federal government programs has demonstrated the need for more reliable and consistent federal spending data, which the full and effective implementation of the DATA Act is intended to produce. As the Comptroller General has previously testified, better data and a greater focus on expenditures and outcomes are essential to improving the efficiency and effectiveness of federal efforts.<sup>59</sup> Early planning

<sup>55</sup>GAO, *Managing for Results: A Guide for Using the GPRA Modernization Act to Help Inform Congressional Decision Making*, GAO-12-621SP (Washington, D.C.: June 15, 2012); and *Managing for Results: Opportunities for Congress to Address Government Performance Issues*, GAO-12-215R (Washington, D.C.: Dec. 9, 2011).

<sup>56</sup>Specifically, at least once every 2 years, OMB is required to consult with relevant committees with broad jurisdiction on cross-agency priority goals, while agencies must consult with their relevant appropriations, authorization, and oversight committees when developing or making adjustments to their strategic plans and agency priority goals. 31 U.S.C. § 1120(a)(3), 5 U.S.C. § 306(a)(5), and 31 U.S.C. § 1122(b)(1), respectively.

<sup>57</sup>GAO-12-621SP.

<sup>58</sup>GAO, *Fragmentation, Overlap, and Duplication: An Evaluation and Management Guide*, GAO-15-49SP (Washington, D.C.: Apr. 14, 2015).

<sup>59</sup>GAO, *Government Efficiency and Effectiveness: Opportunities to Reduce Fragmentation, Overlap, and Duplication and Achieve Other Financial Benefits*, GAO-14-478T (Washington, D.C.: Apr. 8, 2014).

and careful oversight can help build a foundation so that key provisions are effectively implemented in a timely manner.<sup>60</sup> The DATA Act can help promote its effective implementation through sustained attention and leadership over time.

The accountability timelines established under the act set a good foundation for congressional oversight. However, additional attention from Congress may be needed as barriers associated with implementation of complex government-wide programs like the DATA Act inevitably arise. Congressional oversight can help ensure that the iterative implementation strategy being followed by OMB and the Department of the Treasury (Treasury) appropriately incorporates lessons learned, facilitates the production of quality data, and results in timely implementation of the act's requirements. To assist you in this oversight, we are committed to playing an ongoing role in reviewing the progress of Treasury, OMB, and other federal agencies in developing and implementing common data standards and in working with the community of federal Inspectors General to ensure that an effective audit process is in place to help ensure data quality. Toward that end, we have developed an agency-wide strategy to meet the DATA Act's roles for us and will be reporting our findings to the Congress on an ongoing basis.

#### FITARA

In the most recent update to our High Risk Series,<sup>61</sup> we introduced a new high-risk area, the Management of IT Acquisitions and Operations, which highlights several critical information technology (IT) issues in need of additional congressional oversight. These issues include opportunities for greater savings from data center consolidation, the need for agencies to deliver capabilities incrementally (e.g., in 12-month cycles) to reduce investment risk, improvements needed in the accuracy and reliability of investment cost and schedule data on the IT Dashboard, and the importance of identifying duplicative IT spending and achieving cost savings as part of OMB's PortfolioStat initiative.

Just before this area was added to our High Risk List, in December 2014 Congress enacted federal IT acquisition reform legislation (commonly referred to as FITARA) as a part of the fiscal year 2015 National Defense Authorization Act. These statutes include requirements that agencies report to OMB on progress in consolidating federal data centers and achieving associated cost savings, and that cost, schedule, and performance are adequately reflected in evaluations of major IT investments. Pursuant to FITARA, OMB must require in the annual IT capital planning guidance that agency chief information officers (CIO) certify that IT acquisitions are adequately implementing incremental development. Further, the law requires that OMB, in consultation with agency CIOs, implement a process to assist agencies in managing their IT portfolios and that agencies ensure that CIOs have a significant role in IT programming and budgeting decisions.

The new IT acquisition reform requirements codified in these statutes, when fully implemented, should further assist in addressing key issue areas identified in our high-risk report related to the management of IT investments. To help ensure that these improvements are achieved,

<sup>60</sup>GAO, *Federal Data Transparency: Effective Implementation of the DATA Act Would Help Address Government-wide Management Challenges and Improve Oversight*, GAO-15-241T (Washington, D.C.: Dec. 3, 2014).

<sup>61</sup>GAO, *High Risk Series: An Update*, GAO-15-290 (Washington, D.C.: Feb. 11, 2015).

congressional oversight of OMB's and federal agencies' implementation efforts is essential. Doing so should (1) improve the transparency and management of IT acquisitions and operations across the government, and (2) strengthen the authority of CIOs to provide needed direction and oversight.

#### Improper Payments

In addition to GPRAMA, the DATA Act, and FITARA, which should help to identify and address areas of fragmentation, overlap, and duplication in federal programs, Congress has also enacted a series of key laws aimed at reducing another significant source of wasteful federal spending -- improper payments. For fiscal year 2014 the government-wide estimate of improper payments totaled \$124.7 billion. The Improper Payments Information Act of 2002 (IPIA) -- as amended by the Improper Payments Elimination and Recovery Act of 2010 (IPERA) and the Improper Payments Elimination and Recovery Improvement Act of 2012 (IPERIA) -- requires executive branch agencies to (1) review all programs and activities, (2) identify those that may be susceptible to significant improper payments, (3) estimate the annual amount of improper payments for those programs and activities, (4) implement actions to reduce improper payments and set reduction targets, and (5) report on the results of addressing these requirements. IPERA, among other things, established requirements for agency Inspector Generals (IGs) to report annually on agencies' compliance with the criteria contained in IPERA. Under Office of Management and Budget (OMB) implementing guidance, these reports should be completed within 180 days of the publication of the agencies' annual performance and accountability reports (PAR) or agency financial reports (AFR). According to IPERA, if a program is found to be noncompliant

- in a fiscal year, the agency must submit a plan to Congress describing the actions that the agency will take to bring the program into compliance;
- for 2 consecutive fiscal years, and if OMB determines that additional funding would help the agency improve, the agency and OMB may take steps to transfer or request additional funding for intensified compliance efforts; and
- for 3 consecutive years, the agency must submit to Congress a reauthorization proposal for each noncompliant program or activity or any proposed statutory changes the agency deems necessary to bring the program or activity into compliance.

In December 2014, we reported on agency compliance with the criteria contained in IPERA for fiscal year 2013, as reported by IGs.<sup>62</sup> We found that the most common instances of noncompliance as reported by the IGs related to two criteria: (1) publishing and meeting improper payment reduction targets and (2) reporting improper payment estimates below 10 percent.<sup>63</sup> For fiscal years 2012 through 2014, we also analyzed IG reports and agency PARs

<sup>62</sup> GAO, *Improper Payments: Inspector General Reporting of Agency Compliance under the Improper Payments Elimination and Recovery Act*, GAO-15-87R (Washington, D.C.: Dec. 9, 2014).

<sup>63</sup> IPERA contains six criteria for compliance. The six criteria are that the entity has (1) published an annual financial statement and accompanying materials in the form and content required by OMB for the most recent fiscal year and posted that report on the entity website; (2) conducted a risk assessment for each specific program or activity that conforms with IPIA, as amended; (3) published estimates for improper payments for all programs and activities identified as susceptible to significant improper payments under the entity's risk assessment; (4) published corrective action plans for programs and activities assessed to be at risk for significant improper payments; (5) published and met annual reduction targets for all programs and activities assessed to be at risk for significant improper payments; and (6) reported a gross improper payment rate of less than 10 percent for each program and activity for which an improper payment estimate was obtained and published.



or AFRs and identified five programs with improper payment estimates greater than \$1 billion that have been noncompliant with at least one of these criteria for 3 consecutive years. These five programs accounted for approximately \$75.9 billion, or 61 percent of the fiscal year 2014 government-wide improper payment estimate. In addition to the legislative criteria, various IGs reported other deficiencies in their most recent annual compliance reports, including risk susceptible programs that have not reported an improper payment estimate such as HHS's Temporary Assistance for Needy Families (TANF) program with program outlays of \$16.3 billion in fiscal year 2014.<sup>64</sup> Additionally, various IG's identified risk assessments that may not accurately assess the risk of improper payments and estimation methodologies that may not produce reliable estimates. Similarly, we recently reported on weaknesses in improper payment risk assessments at the Department of Energy and in the estimating methodology for DOD's TRICARE program.<sup>65</sup>

IPERIA, the latest legislation in this series of improper payment laws, directs OMB to annually identify a list of high-priority programs for greater levels of oversight and review, including establishing annual targets and semi-annual or quarterly actions. IPERIA also enacted into law the Do Not Pay initiative, elements of which already were being developed under executive branch authority. The Do Not Pay initiative is a web-based, centralized data-matching service that allows agencies to review multiple databases to determine a recipient's award or payment eligibility prior to making payments. Similarly, the DATA Act states Treasury may establish a data analysis center, or to expand an existing service, to provide data, analytic tools, and data-management techniques for preventing or reducing improper payments. With outlays for major programs expected to increase over the next few years, it is critical that actions are taken to reduce improper payments. Congress can assist agencies in their efforts to reduce improper payments. The effective implementation of IPIA, IPERA, and IPERIA should help to move agencies forward in their efforts to reduce improper payments. There is considerable opportunity here to achieve cost savings without reducing or detrimentally affecting the valuable programs that serve our citizens. For this reason, GAO will continue to focus attention on improper payments to assist Congress in its oversight and to help ensure that taxpayer dollars are adequately safeguarded and used for their intended purposes.

<sup>64</sup> HHS cited statutory limitations for its state-administered TANF program which prohibited it from requiring states to participate in developing an improper payment estimate for the program.

<sup>65</sup> GAO, *Improper Payments: DOE's Risk Assessments Should be Strengthened*, GAO-15-36 (Washington, D.C.: Dec. 23, 2014), and *Improper Payments: TRICARE Measurement and Reduction Efforts Could Benefit from Adopting Medical Record Reviews*, GAO-15-269 (Washington, D.C.: Feb. 18, 2015). TRICARE is a health care program for military service members, retirees, and their families.

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3. GAO has included the Medicaid program on its high risk list since 1993 due to its ongoing vulnerabilities to fraud, waste, and abuse. A key management and oversight challenge is often the lack of accurate, reliable, and timely data at the federal level for this program. As you know, the Centers for Medicare and Medicaid Services (CMS) is currently working to implement the Transformed-Medicaid Statistical Information System (T-MSIS), which if effectively implemented, holds the promise of enhancing the quality of payment and quality data available to the Medicaid program. In addition to overseeing the implementation of TMSIS, what other actions can Congress and the Administration take to improve the quality of data available at the federal level for this program?

CMS is taking important steps to improve Medicaid data with its TMSIS initiative, and since 2011, we have made several recommendations to both the administration and Congress to improve the quality of Medicaid data. Improved data are important for effective oversight of the program, as they would allow CMS to monitor state financing of the program, payments to individual providers, and children's access to needed care and services provided to individuals in managed care, along with aggregate spending trends, per beneficiary spending growth, and cross-state comparisons. In addition, more timely, complete, and accurate information will help CMS and Congress with decision making regarding program changes, and better ensure the fiscal integrity of the program. Specifically, we recommended the Administrator of CMS take the following actions:

- Develop a data collection strategy that ensures that states report accurate and complete data on all sources of funds used to finance the nonfederal share of Medicaid payments, to oversee the program and assess the need for and make changes to the program.<sup>66</sup>
- Increase efforts to ensure that states are clearly reporting overpayments identified by federal audits in the designated location of the CMS-64 form, to ensure the timely return of the federal share of Medicaid overpayments.<sup>67</sup>
- Take steps to ensure that states report accurate provider-specific payment data that include accurate unique national provider identifiers and develop a process for identifying and

<sup>66</sup>See GAO, *Medicaid Financing: States' Increased Reliance on Funds from Health Care Providers and Local Governments Warrants Improved CMS Data Collection* [Reissued on March 13, 2015], GAO-14-627 (Washington, D.C.: July 29, 2014).

<sup>67</sup>See GAO, *Medicaid: CMS Should Ensure That States Clearly Report Overpayments*, GAO-14-25 (Washington, D.C.: December 6, 2013). State errors in reporting overpayments in the proper location of the CMS-64 prevent CMS from having a full understanding of the extent to which the federal share has been returned from the audits that they conduct.

reviewing payments to individual providers in order to determine whether they are economical and efficient, to improve CMS's oversight of Medicaid payments.<sup>68</sup>

- Establish a plan to review information reported on children's receipt of services, ensure identified problems are corrected, and work with states on improving reporting for children in managed care and fee-for-service and for capturing information on children's receipt of needed treatment services, that is, treatments for which they are referred, to appropriately inform oversight efforts and the public on the provision of services in Medicaid and the Children's Health Insurance Program.<sup>69</sup>

Also, we suggested that Congress consider requiring CMS to improve reporting of and guidance related to certain supplemental payments that annually total tens of billions of dollars and to require states to submit annual independent audits of such payments.<sup>70</sup> While CMS has taken these steps for some supplemental payments, officials have said that such legislation would be needed for CMS to establish similar requirements for all supplemental payments.

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<sup>68</sup>See GAO, *Medicaid: CMS Oversight of Provider Payments Is Hampered by Limited Data and Unclear Policy*, GAO-15-322 (Washington, D.C.: April 10, 2015).

<sup>69</sup>See GAO, *Medicaid and CHIP: Reports for Monitoring Children's Health Care Services Need Improvement*, GAO-11-293R (Washington, D.C.: April 5, 2011).

<sup>70</sup>See GAO, *Medicaid: More Transparency of and Accountability for Supplemental Payments Are Needed*, GAO-13-48 (Washington, D.C.: November 26, 2012).

Post-Hearing Questions for the Record  
Submitted to The Honorable Eugene Dodaro  
From Senator Thomas R. Carper

**“Reducing Unnecessary Duplication in Federal Programs: Billions More Could Be Saved”**

April 14, 2015

4. One of the key resources for federal managers looking to reduce unnecessary duplication, fragmentation, and overlap in federal programs is accurate performance information about the programs they administer. GAO has reported that it has been difficult for federal managers to effectively utilize performance data. How can agencies improve upon the collection and dissemination of performance information so that agency management can address concerns about unnecessary duplication, fragmentation, and overlap in the programs they administer? Further, what actions can agencies take to make their performance data more accessible to Congress and other external stakeholders?

There are a number of actions agencies can take to increase the use of performance information to address unnecessary duplication, fragmentation and overlap in their programs. Our analysis of responses to our 2013 government-wide survey of federal managers showed that specific practices, such as having sufficient information on data validity and top agency leadership demonstrating a strong commitment to achieving results, are positively related to the use of performance information.<sup>71</sup> Several of the actions that can improve the use of performance information are reflected in the requirements of the GPRA Modernization Act of 2010 (GPRAMA) and the Digital Accountability and Transparency Act of 2014 (DATA Act), which, if fully and effectively implemented, hold promise for addressing areas of fragmentation, overlap, and duplication.<sup>72</sup> For example, GPRAMA requires that agencies hold data-driven performance reviews of their agency priority goals on at least a quarterly basis. These reviews are to involve top agency leadership and include an assessment of goal progress, trend data, and the likelihood of meeting the planned level of performance.<sup>73</sup> We found that these reviews show promise for encouraging the use of performance information.<sup>74</sup> This summer we will issue a report that examines agencies' data-driven reviews, including how they have affected performance, collaboration, accountability, and efficiency. Effective implementation of the DATA Act—which will help to make spending data comparable across federal programs—would provide additional information for agency managers and the Congress to improve the efficiency

<sup>71</sup>GAO, *Managing for Results: Agencies' Trends in the Use of Performance Information to Make Decisions*, GAO-14-747 (Washington, D.C.: Sept. 26, 2014).

<sup>72</sup>GPRAMA, Pub. L. No. 111-352, 124 Stat. 3866 (Jan. 4, 2011); DATA Act, Pub. L. No. 113-101, 128 Stat. 1146 (May 9, 2014).

<sup>73</sup>31 U.S.C. § 1121(b).

<sup>74</sup>GAO, *Managing for Results: Executive Branch Should More Fully Implement the GPRA Modernization Act to Address Pressing Governance Challenges*, GAO-13-518 (Washington, D.C.: June 26, 2013).

and effectiveness of federal programs.<sup>75</sup>

Agencies' annual strategic reviews, which Office of Management and Budget (OMB) guidance implementing GPRAMA directs agencies to hold in order to assess progress toward strategic objectives, are another tool that has the potential to improve use of performance information to identify fragmentation, overlap, and duplication. This is because, as part of the reviews, agencies are to identify the various organizations, programs, regulations, tax expenditures, policies, and other activities that contribute to each objective both within and outside the agency. OMB guidance specifies that the reviews are, among other things, to identify areas where additional program evaluation or other analyses are needed. Program evaluations—systematic studies that use research methods to address specific questions about program performance—can provide a valuable supplement to ongoing performance reporting, but our 2013 managers' survey found that most federal managers lack recent evaluations of their programs. The strategies we identified for facilitating evaluation include engaging stakeholders through the evaluation process.<sup>76</sup> Our recently issued guide for evaluating and managing fragmentation, overlap, and duplication has more detailed information designed to help analysts and decision makers better assess the extent of fragmentation, overlap, and duplication and take action to reduce or better manage them, including the use of program evaluations, among other tools.<sup>77</sup>

We have also reported on steps agencies can take to better communicate performance information to the Congress and the public. Several of these steps are reflected in GPRAMA and DATA Act requirements. For example, GPRAMA established changes in performance reporting to ensure more frequent, relevant data are available. Specifically, it includes a requirement that OMB provide quarterly updates on agency and cross-agency priority goals via a centralized, government-wide website, Performance.gov.<sup>78</sup> Our 2013 examination of the website identified several issues, including the complexity of its navigation and the difficulty of finding and accessing some information.<sup>79</sup> To address these issues, we made three recommendations to OMB, including that it seek to more systematically collect information on the needs of a broader audience, but OMB has not yet implemented them. We are starting work assessing the progress that OMB has made in implementing this website since our previous report, including making the data more accessible and useful for Congress and the public.

GPRAMA also requires agencies to consult with Congress for several purposes, such as when developing strategic plans.<sup>80</sup> These consultations are another tool that agencies could better use to ensure that the Congress has the type of information that it needs for oversight of

<sup>75</sup>GAO, *Federal Data Transparency: Effective Implementation of the DATA Act Would Help Address Government-wide Management Challenges and Improve Oversight*, GAO-15-241T (Washington, D.C.: Dec. 3, 2014).

<sup>76</sup>GAO, *Program Evaluation: Strategies to Facilitate Agencies' Use of Evaluation in Program Management and Policy Making*, GAO-13-570 (Washington, D.C.: June 26, 2013).

<sup>77</sup>GAO, *Fragmentation, Overlap, and Duplication: An Evaluation and Management Guide*, GAO-15-49SP (Washington, D.C.: Apr. 14, 2015).

<sup>78</sup>31 U.S.C. § 1122.

<sup>79</sup>GAO, *Managing for Results: Leading Practices Should Guide the Continued Development of Performance.gov*, GAO-13-517 (Washington, D.C.: June 6, 2013).

<sup>80</sup>5 U.S.C. § 306(d).

unnecessary duplication, fragmentation, and overlap in the programs agencies administer. For example, our recent report on OMB and agencies' efforts to create an inventory of all federal programs found that none of the 24 agencies that developed inventories sought input on them from external stakeholders, including Congress.<sup>81</sup> Our guide to using GPRAMA to help inform congressional decision making highlights several approaches that can help ensure that these consultations are successful, including creating shared expectations and engaging the right people at the right time. In addition, the guide identifies how Congress can use performance information to inform its decision making by (1) identifying issues to address, (2) measuring progress towards addressing those issues, and (3) when necessary, identifying better strategies for addressing them.<sup>82</sup>

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<sup>81</sup>GAO, *Government Efficiency and Effectiveness: Inconsistent Definitions and Information Limit the Usefulness of Federal Program Inventories*, GAO-15-83 (Washington, D.C.: Oct. 31, 2014).

<sup>82</sup>GAO, *Managing for Results: A Guide for Using the GPRA Modernization Act to Help Inform Congressional Decision Making*, GAO-12-621SP (Washington, D.C.: June 15, 2012).

Post-Hearing Questions for the Record  
Submitted to The Honorable Eugene L. Dodaro  
From Senator Claire McCaskill

“Reducing Unnecessary Duplication in Federal Programs: Billions More Could Be Saved”

April 14, 2015

The Department of Veterans Affairs (VA) is currently building a hospital in Aurora, Colorado, that will cost the taxpayers \$1.7 billion, making it one of the most expensive hospitals in the world. The hospital will end up costing taxpayers \$9.5 million per hospital bed in the facility. GAO released a report detailing the cost overruns and pricey, preventable mistakes made by the VA.

The Aurora facility is not the first VA project that has experienced such costly, avoidable mistakes. In Orlando, FL, the VA changed the location of a proposed project three times, adding more than \$350 million and 3 years to the project's costs and timeline.

The VA is not an organization that was created for the purpose of gaining expertise in large-scale construction projects, and the federal government has at least 2 other agencies with the capability and technical expertise to manage such projects – the General Services Administration and the Army Corps of Engineers.

**1. In your opinion, should Congress reevaluate the VA's authority to construct and manage large-scale projects?**

As we stated in our April 2013 report on VA medical facilities construction projects, not only the Aurora and Orlando projects, but most of VA's 26 medical facilities projects under construction at the time, experienced cost increases or delays.<sup>83</sup> In that report, we made recommendations for improving VA's management of medical facilities projects, and VA has taken steps to implement them. However, as we noted in our April 2015 in testimony before the Senate Veterans Affairs Committee in Aurora, it may take time for these actions to yield improvements, especially for ongoing construction projects, depending on several issues, including the relationship between VA and the contractor. In light of the fact that the Aurora and other major medical facilities projects have experienced further cost increases and delays since our April 2013 report, VA's ability to manage projects of this scope remains in question.

**2. Should Congress consider centralizing construction management functions for all large infrastructure to prevent duplication and ensure more cost effective construction projects?**

In terms of hospitals, construction of these facilities can be a challenging undertaking that requires specialized expertise. Currently in the federal government, at least three agencies, VA, the Army Corps of Engineers, and the Naval Facilities Engineering Command construct large medical projects. As we stated in our April 2013 report on VA medical facilities construction,

<sup>83</sup>GAO, *VA Construction: Additional Actions Needed to Decrease Delays and Lower Costs of Major Medical-Facility Projects*, GAO-13-302 (Washington, D.C.: Apr 4, 2013).

officials from the Naval Facilities Command told us that historically, medical facility projects it has undertaken take approximately 4 years from design to completion, a much shorter time frame than recent large VA projects in Aurora, Orlando, and Las Vegas.<sup>84</sup> However, we have not done a detailed comparison of VA, Naval Facilities Command, and Army Corps of Engineers medical facilities projects to determine if construction could be centralized to prevent duplication and ensure more cost effective construction projects.

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<sup>84</sup>GAO-13-302.



**Post-Hearing Questions for the Record  
Submitted to The Honorable Eugene Dodaro  
From Senator Heidi Heitkamp**

**“Reducing Unnecessary Duplication in Federal Programs: Billions More Could Be Saved”  
April 14, 2015**

1. In 2012, the Office of Management and Budget’s (OMB) E-Gov office started using PortfolioStat to review federal information technology (IT) program efficiency and effectiveness. While OMB has encouraged agencies to use PortfolioStat, you have previously testified that agency use has been inconsistent. Have you found that policies like PortfolioStat can reduce duplication if agencies are looking to see where their IT systems, programs or contracts might overlap?
  - a. How difficult would it be to expand this portfolio review practice outside of IT?
  - b. If an expansion were to happen beyond IT acquisitions, what federal agency/entity should take the lead?

We have reported that OMB’s PortfolioStat initiative and other IT reform efforts requiring agencies to identify and eliminate wasteful, low-value, and duplicative investments have potential to result in billions of dollars in savings. In February 2015, OMB stated that agencies had reported almost \$2.3 billion in savings as a result of the PortfolioStat initiative. However, our reports have shown that due to weaknesses in implementing the PortfolioStat initiatives (including reporting inconsistencies), reported savings are understated by potentially billions of dollars.<sup>85</sup> We have made recommendations to both OMB and agencies aimed at addressing these weaknesses. Recognizing the importance of portfolio review, legislation was recently enacted that contains requirements for IT portfolio, program and resource reviews.<sup>86</sup>

The duplication, overlap, and fragmentation work we have been performing for the past five years provides many examples of instances in which we have applied this portfolio review practice outside of IT. To date, we have presented over 200 areas to achieve greater efficiency or effectiveness, including many opportunities for executive branch agencies or Congress to reduce, eliminate, or better manage fragmentation, overlap, or duplication.<sup>87</sup>

<sup>85</sup>GAO, *Information Technology: Additional OMB and Agency Actions Needed to Ensure Portfolio Savings Are Realized and Effectively Tracked*, GAO-15-296 (Washington, D.C.: Apr. 16, 2015); GAO, *Data Center Consolidation: Reporting Can Be Improved to Reflect Substantial Planned Savings*, GAO-14-713 (Washington, D.C.: Sept. 25, 2014).

<sup>86</sup>Carl Levin and Howard P. ‘Buck’ McKeon National Defense Authorization Act for Fiscal Year 2015, Pub. L. No. 113-291, § 833 (Dec. 19, 2014), 40 U.S.C. § 11319.

<sup>87</sup>In our reports, we have also presented additional opportunities to achieve cost savings and enhance revenue. See GAO, *2015 Annual Report: Additional Opportunities to Reduce Fragmentation, Overlap, and Duplication and Achieve Other Financial Benefits*, GAO-15-404SP (Washington, D.C.: Apr. 14, 2015); GAO, *2014 Annual Report: Additional Opportunities to Reduce Fragmentation, Overlap, and Duplication and Achieve Other Financial Benefits*, GAO-14-343SP (Washington, D.C.: Apr. 8, 2014); *2013 Annual Report: Actions Needed to Reduce Fragmentation, Overlap, and Duplication and Achieve Other Financial Benefits*, GAO-13-279SP (Washington, D.C.: Apr. 9, 2013); *2012 Annual Report: Opportunities to Reduce Duplication, Overlap and Fragmentation, Achieve Savings, and Enhance Revenue*, GAO-12-342SP (Washington, D.C.: Feb. 28, 2012); and *Opportunities to Reduce Potential Duplication in Government Programs, Save Tax Dollars, and Enhance Revenue*, GAO-11-318SP (Washington, D.C.: Mar. 1, 2011).

Since fiscal year 2011, we have also recommended actions that both agencies and Congress could take to address those areas and we have been tracking progress in implementing the recommendations.

In addition, the existing and new tools we identified in our testimony as instrumental to identifying, evaluating, and addressing fragmentation, overlap, or duplication are applicable to areas beyond IT.<sup>88</sup> Specifically, we noted that, if fully and effectively implemented, the GPRAMA Modernization Act of 2010 (GPRAMA) and the Digital Accountability and Transparency Act of 2014 (DATA Act) hold promise for helping to improve performance and budget information and helping to address challenges in identifying and addressing areas of fragmentation, overlap, and duplication.

- GPRAMA establishes a framework aimed at taking a more crosscutting and integrated approach to focusing on results and improving government performance. Effective implementation of GPRAMA could help clarify desired outcomes, address program performance spanning multiple organizations, and facilitate future actions to reduce, eliminate, or better manage fragmentation, overlap, and duplication. Consistent with the general approach to PortfolioStat, GPRAMA included a provision for agency leaders to conduct quarterly data-driven performance reviews on their priority goals. OMB has a key role in providing guidance and oversight of agencies' implementation of GPRAMA, and we are required to periodically evaluate and report to Congress on its implementation.
- The DATA Act requires actions that would help make spending data comparable across programs, allowing executive branch agencies and Congress to accurately measure the costs and magnitude of federal investments. As we have previously reported, better data and a greater focus on expenditures and outcomes are essential to improving the efficiency and effectiveness of federal efforts. Earlier this month, OMB issued an initial set of data standards and guidance for implementing the DATA Act to the heads of departments and agencies.

Further, to help analysts and decision makers better assess the extent of fragmentation, overlap and duplication, we have developed an evaluation and management guide, which includes two parts.<sup>89</sup> One part provides steps for analysts, including federal, state, and local auditors, to identify and evaluate instances of fragmentation, overlap or duplication. The other part provides guidance for policymakers, including congressional decision makers and executive branch leaders, to reduce or better manage fragmentation, overlap, and duplication.

Our duplication, fragmentation, and overlap work, and the tools identified above provide examples of existing portfolio reviews beyond IT and opportunities for additional such reviews. We believe that OMB would be in the best position to coordinate these efforts given its role in the implementation of GPRAMA and the DATA Act.

<sup>88</sup>GAO, Government Efficiency and Effectiveness: Opportunities to Reduce Fragmentation, Overlap, and Duplication and Achieve Other Financial Benefits, GAO-15-522T (Washington, D.C.: April 14, 2015).

<sup>89</sup>GAO, *Fragmentation, Overlap, and Duplication: An Evaluation and Management Guide*, GAO-15-49SP (Washington, D.C.: Apr. 14, 2015).

Post-Hearing Questions for the Record  
Submitted to Hon. Gene Dodaro  
From Senator Cory A. Booker

“Reducing Unnecessary Duplication in Federal Programs: Billions More Could Be Saved”

April 14, 2015

**SNAP Fraud**

1. **The Supplemental Nutrition Assistance Program (SNAP) is the country’s first line of defense against hunger. For households with no other income, the maximum food benefit for a family of four is \$649 per month. That translates to \$40.56 per family member per week for food purchases or \$1.93 per meal. A GAO study recently found potential fraud or trafficking activity in a little more than a third of the 8,190 homes that its study analyzed. Did GAO find any *actual* fraud or trafficking activity in any of the households that its study analyzed?**

Consistent with our general approach to issues such as fraud, our work focused on identifying indicators of *potential* fraud or trafficking activity.<sup>90</sup> In this regard, we referred those SNAP households with the most potential trafficking activity to the appropriate state agencies, and the state agencies are in the process of conducting their own reviews and investigations of the households to determine whether *actual* fraud or trafficking occurred.

2. **The Center on Budget and Policy Priorities in a 2013 study found that fraud only occurs in 1 percent of SNAP transactions. That is \$1 in every \$100 of SNAP benefits. Furthermore, the USDA has cut trafficking—that is the sale of SNAP benefits for cash—by three-quarters over the past 15 years. But your recent GAO study found potential fraud or trafficking activity in a little more than a third of the 8,190 homes that its study analyzed. How do you reconcile your findings with the findings of the Center on Budget and Policy Priorities?**

We are not familiar with how the Center on Budget and Policy Priorities derived this estimate. According to the USDA OIG, the magnitude of recipient fraud is unknown because states do not have uniform ways of compiling the data that would provide such information.

We also would like to clarify the findings from our 2014 report. Among others, the objective of the report was to evaluate the effectiveness of replacement cards as a fraud detection tool. We found potential trafficking in 73 percent of the high replacement card households we reviewed through a more targeted approach to analyzing replacement cards. The households we reviewed are a small subset of the 1.482 million SNAP households in Massachusetts, Michigan and Nebraska in fiscal year 2012, and they were already indicated to be at risk of SNAP fraud based on their replacement card activity. The rate of potential trafficking activity found within the subset of households that we reviewed is not applicable to the total population of SNAP households. Specifically, we reviewed SNAP households in three states—Massachusetts,

<sup>90</sup>GAO, *Supplemental Nutrition Assistance Program: Enhanced Detection Tools and Reporting Could Improve Efforts to Combat Recipient Fraud*. GAO-14-641 (Washington, D.C.: Aug. 21, 2014).

Michigan and Nebraska—to identify those households with high numbers of replacement cards that may be at higher risk of trafficking SNAP benefits.<sup>91</sup> Using the approach FNS recommended that states use to detect SNAP fraud—high numbers of replacement cards—we identified 8,190 households in Michigan in fiscal year 2012. Using a more refined fraud detection method—multiple replacement cards in four or more benefit periods—cut that number to 4,935 households. Moreover, by refining the detection method by adding another flag for potential fraud—analyzing transactions occurring around the time of replacement card issuance—we identified 3,183 households with potential fraud activity.

Across all three states, we identified a total of 10,270 households with replacement cards in four or more monthly benefit periods in fiscal year 2012. We then added another layer of analysis by reviewing transactions occurring around the time of replacement card issuance to identify indicators of potential trafficking. We identified 7,537 households with transactions potentially indicative of trafficking.

3. **Senator Paul and I recently re-introduced the REDEEM Act, legislation which would – among other things – eliminate the lifetime ban on SNAP benefits in cases where a person is convicted of a drug use or possession crime. This change would ensure that SNAP benefits are available to formerly incarcerated people convicted of nonviolent crimes so that they can put food on the table for their children and not resort to crime in order to do so. Do you support making SNAP benefits available to formerly incarcerated people in order to reduce recidivism and ensure hungry children have food on the table?**

GAO has not reviewed the actual or potential effects of making SNAP benefits available to formerly incarcerated people and therefore cannot advise the Congress on the implications of this proposed change in policy.

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<sup>91</sup>See GAO-14-461. FNS previously recommended that states use replacement cards as a tool to identify SNAP fraud, and our review evaluated the effectiveness of replacement cards as a fraud detection tool.

Post-Hearing Questions for the Record  
Submitted to Hon. Gene Dodaro  
From Senator Cory A. Booker

**“Reducing Unnecessary Duplication in Federal Programs: Billions More Could be Saved”**

April 14, 2015

**DATA Act and GPRAMA**

4. Recently, Senator McCaskill and I sent a letter to the Rules Committee stressing the importance of bringing digital tools into the legislative process to increase transparency and accountability, improve the quality of constituent services, and ultimately save taxpayer dollars. In January 2011, President Obama signed into law the Government Performance and Results Act (GPRAMA) and in May 2014, he signed into law the Digital Accountability and Transparency Act of 2014 (DATA Act), legislation which, when fully implemented, will do the same things for identifying and addressing areas of fragmentation, overlap, and duplication. How do you plan to ensure implementation of GPRAMA and the DATA Act?

To assist Congress with its oversight, GPRAMA includes provisions requiring GAO to review its implementation at several critical junctures.<sup>92</sup> First, following a period of initial implementation, we were to report by June 2013 on implementation of GPRAMA's planning and reporting requirements, at both the government-wide and agency levels. Subsequently, following full implementation, we are to evaluate by September 2015 and 2017 whether performance management is being used by federal agencies to improve the efficiency and effectiveness of agency programs. Also in September 2015 and 2017—and every 4 years thereafter—we are to evaluate the implementation of the federal government priority goals and performance plans and related reporting required by GPRAMA. To provide timely and useful information, we have issued a number of reports over the past 4 years reviewing the executive branch's implementation of key provisions of the Act.<sup>93</sup> To meet our first statutorily required deadline, we issued a report in June 2013 highlighting the key findings from reports reviewing initial implementation of GPRAMA.<sup>94</sup> We will issue a similar report in September 2015.

Our reports to date have found that the executive branch has taken steps to implement key GPRAMA provisions. However, we have also identified a number of areas where the Office of Management and Budget (OMB) and agencies need to improve implementation, and we have

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<sup>92</sup>Pub. L. No. 111-352, § 15.

<sup>93</sup>Most recently, see GAO, *Government Efficiency and Effectiveness: Inconsistent Definitions and Information Limit the Usefulness of Federal Program Inventories*, GAO-15-83 (Washington, D.C.: Oct. 31, 2014); *Managing for Results: Selected Agencies Need to Take Additional Efforts to Improve Customer Service*, GAO-15-84 (Washington, D.C.: Oct. 24, 2014); and *Managing for Results: Agencies' Trends in the Use of Performance Information to Make Decisions*, GAO-14-747 (Washington, D.C.: Sept. 26, 2014). For a full listing of our reports related to GPRAMA implementation, see the "Key Reports" tab on our Managing for Results key issues page at [http://www.gao.gov/key\\_issues/managing\\_for\\_results\\_in\\_government](http://www.gao.gov/key_issues/managing_for_results_in_government).

<sup>94</sup>GAO, *Managing For Results: Executive Branch Should More Fully Implement the GPRA Modernization Act to Address Pressing Governance Challenges*, GAO-13-518 (Washington, D.C.: June 26, 2013).

made recommendations accordingly. The majority of these recommendations remain open, and a number of them are focused on fully implementing provisions that could help address crosscutting issues. For example:

- Effective implementation of GPRAMA's federal program inventory requirements could provide congressional and executive branch decision makers with critical program, budget, and performance information that could be used to help address fragmentation, overlap, and duplication. However, our October 2014 report found that the approach used by OMB and agencies had not led to the inventory of all federal programs, along with related budget and performance information, envisioned by GPRAMA.<sup>95</sup> We made eight recommendations to OMB to ensure the effective implementation of federal program inventory requirements and to make the inventories more useful.
- GPRAMA requires OMB and agencies to identify the various organizations, programs, and activities that contribute to cross-agency and agency priority goals (APGs). In addition, the Act requires relevant federal government officials from those contributing organizations and programs to participate in quarterly reviews of progress towards the goals. Together, these requirements could help improve collaboration and identify opportunities to better manage fragmentation, overlap, and duplication. However, our work over the last few years has found that not all relevant contributors have been identified for the goals or included in the reviews, and we made several recommendations to OMB to address these issues.<sup>96</sup>

As with all of our recommendations, we will continue to monitor and report on progress on their implementation.

To ensure effective implementation of the DATA Act, GAO is committed to playing an ongoing role reviewing the progress of the Department of the Treasury (Treasury), OMB, and other federal agencies in developing and implementing common standards for data to be reported under the DATA Act. We also are working with the federal community of Inspectors General (IG) to make sure that an effective audit process is in place to help ensure data quality. Toward that end, we have developed an agency-wide strategy to meet the DATA Act's oversight and consultative roles for us.

- Our audit strategy focuses on key design and implementation challenges, as well as identifying opportunities for the DATA Act to improve the efficiency and effectiveness of the federal government. Our initial work includes assessing the establishment of government-wide data standards to ensure that they are complete, clear, and at the right level of specificity to meet the requirements and objectives of the DATA Act. We will also be reviewing the implementation of a pilot program required by the DATA Act to identify opportunities for reducing compliance costs and unnecessary duplication in financial reporting federal funding recipients. We will provide periodic reports to Congress in 2015 and beyond regarding the progress being made in both of these areas. Further, we are examining the potential transfer of the Recovery Accountability and Transparency Board's Recovery Operations Center (ROC) to Treasury as part of an effort to explore ways to

<sup>95</sup>GAO-15-33.

<sup>96</sup>See GAO, *Managing for Results: OMB Should Strengthen Reviews of Cross-Agency Goals*, GAO-14-526 (Washington, D.C.: June 10, 2014); GAO-13-518; *Managing For Results: Agencies Should More Fully Develop Priority Goals under the GPRA Modernization Act*, GAO-13-174 (Washington, D.C.: Apr. 19, 2013); and *Managing for Results: Data-Driven Performance Reviews Show Promise But Agencies Should Explore How to Involve Other Relevant Agencies*, GAO-13-228 (Washington, D.C.: Feb. 27, 2013).

ensure that the analytical tools and resources developed by the ROC continue to be available to the oversight community.

- To meet our consultative responsibilities, we are meeting regularly with the Treasury IG and other members of the Council of Inspectors General for Integrity and Efficiency to help ensure that their commonly developed audit procedures will allow them to meet their requirements under the DATA Act. We will issue our required review of IG reports on the completeness and accuracy of their respective agency's DATA Act reporting in reports to Congress in 2017, 2019, and 2021. Finally, we have begun an initial round of meetings with a broad range of organizations including state and local governments, federal fund recipients, and the transparency community. In the weeks and months ahead, we plan to expand this outreach to ensure that we obtain the views and perspectives of these key stakeholders regarding DATA Act implementation.

5. **I know Rutgers University has been actively involved in the initial design and roll-out of the open-data format, XBRL, in the United States for both the Federal Deposit Insurance Corporation and the U.S. Security Exchange Council. Once the data is available, have you explored how the data will be utilized? Meaning what types of analytics can be created to automate the data analysis process and help quickly identify fraud or abnormal activity?**

No, we have not yet explored how the data will be used.

